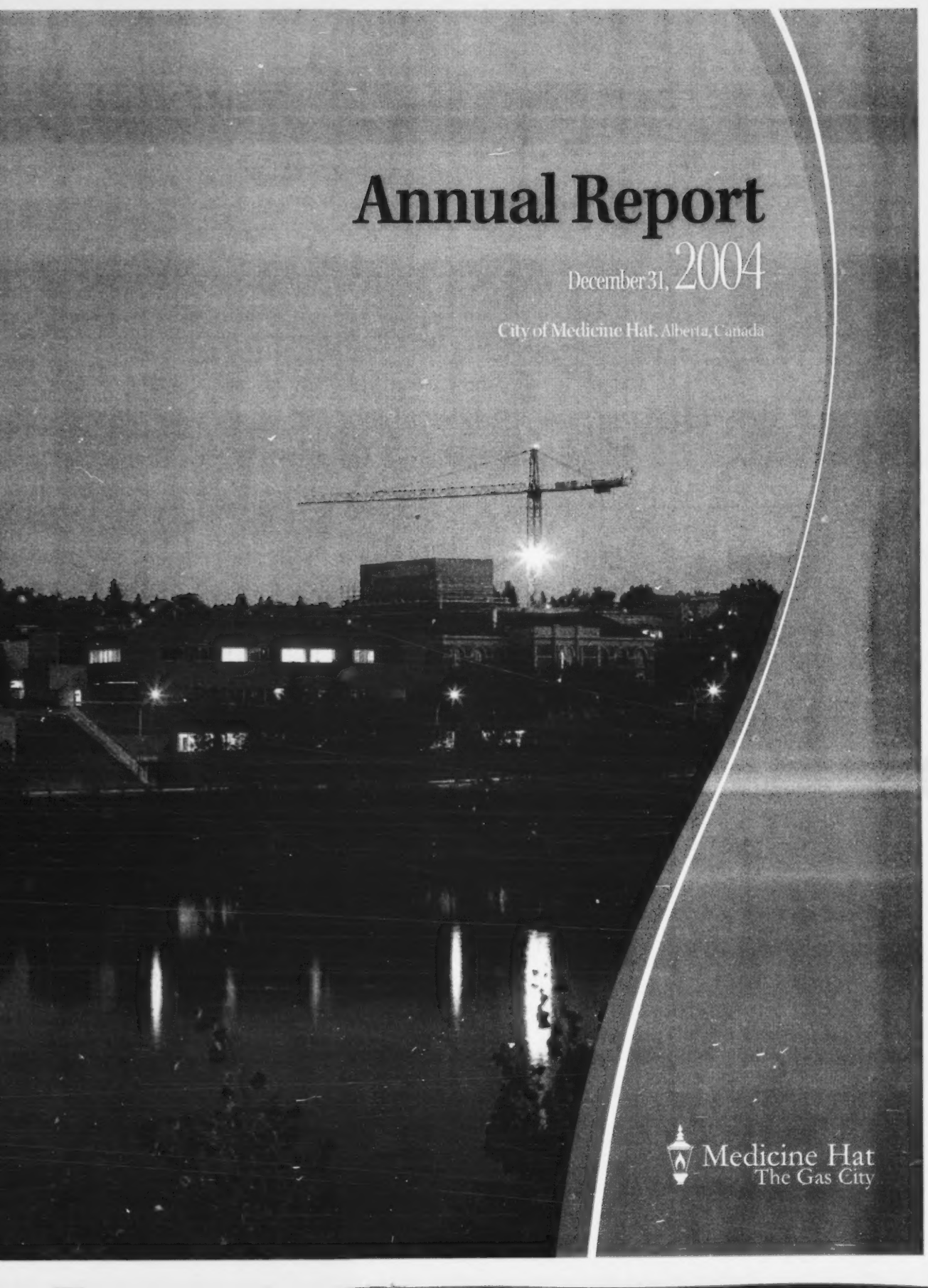

Annual Report

December 31, 2004

City of Medicine Hat, Alberta, Canada

Medicine Hat
The Gas City

2008-04689/

Annual Report

December 31, 2004
City of Medicine Hat
Alberta, Canada
Prepared and produced by the City of Medicine Hat Finance Department and Communications Office.

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Cover Photo: The landscape of downtown Medicine Hat is changing with the construction of the Esplanade, arts and heritage centre.
Courtesy Dan Engel, Hilde Avery Studios Inc.

Our Vision

is to be a community of choice.

Working together with the community, this is Council's vision for the City of Medicine Hat. It is a vision that sees a vibrant city, with residents, businesses and visitors seeking to make Medicine Hat their "community of choice."

Our Mission

is to exceed expectations in the value of our services.

In pursuit of our vision, the City of Medicine Hat is committed to a mission of striving to exceed expectations - specifically, the expectations of our residents, businesses and visitors. By first stating what we want to be, and then establishing how we plan to achieve our vision, Council signals civic Administration and the community about the type of organization we continually must strive towards.

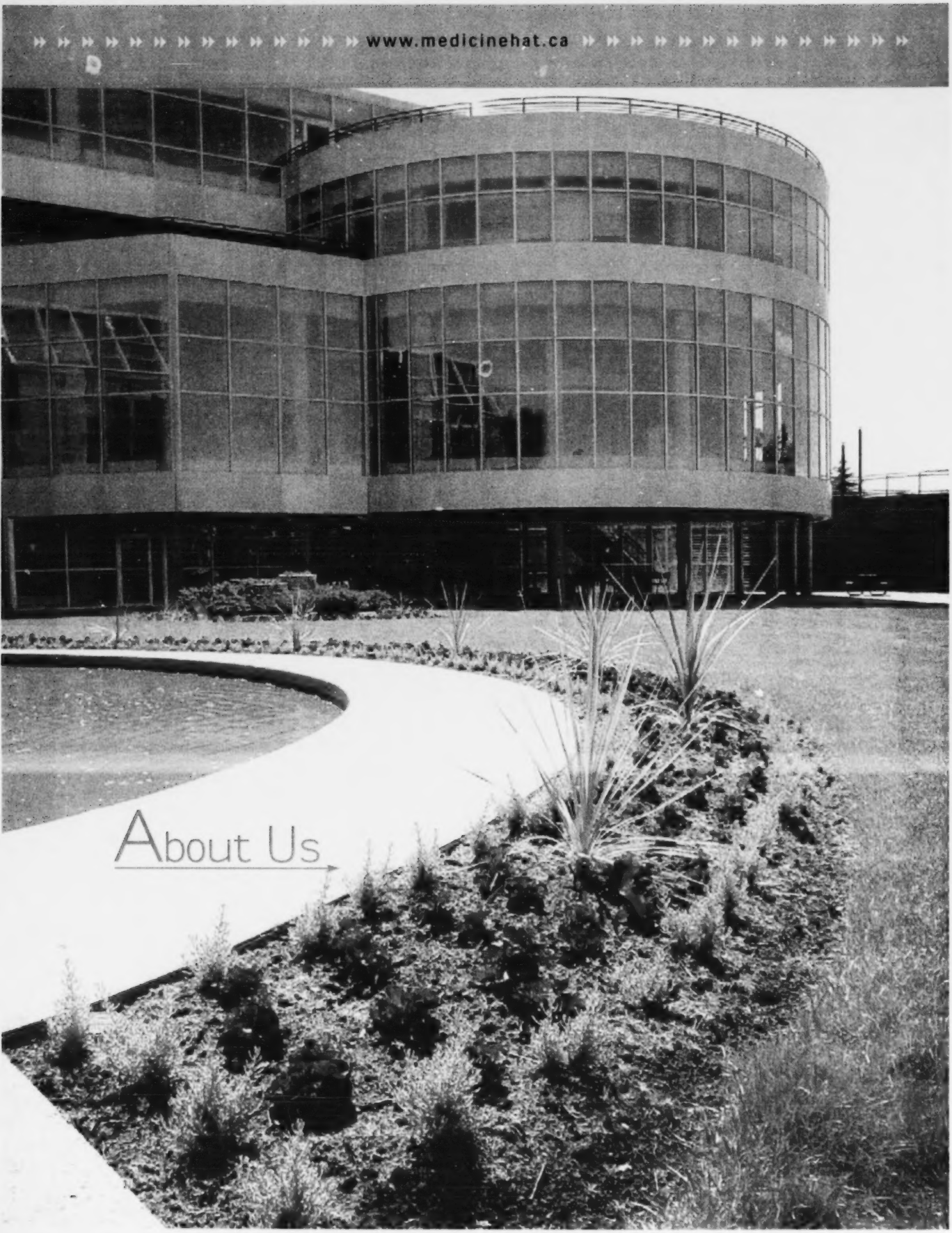
We will achieve this by:

- Providing strong and effective leadership.
- Working together with a unified purpose.

Our Values

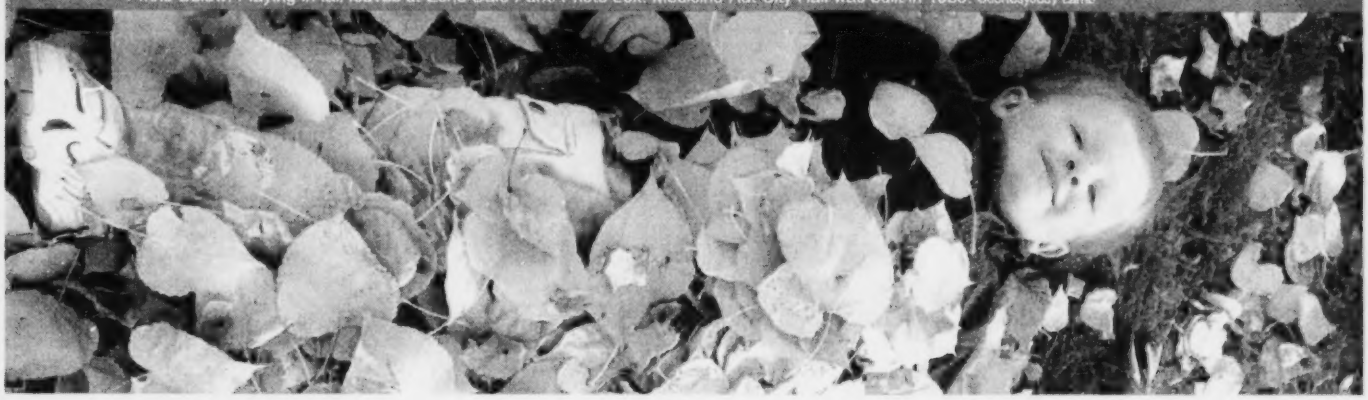
We are committed to the following core values, which we believe enable us to achieve our vision.

- Innovation, creativity and diversity
- Openness, debate and participation
- Performance results
- Being proactive
- Balanced and responsible development
- A long-term perspective
- Well-being of residents and employees
- Principle of self-determination for our community
- Continuous learning and staff development



About Us

Photo Below: Playing in fall leaves at Echo Dale Park. Photo Left: Medicine Hat City Hall was built in 1983. Courtesy Jody Lamb



Who We Are

Medicine Hat is a thriving community of more than 52,000 people. Medicine Hat continues to benefit from more than 100 years of public ownership of natural gas and electric utilities. The city offers a wealth of amenities and facilities, the lowest tax rates in Canada, the lowest utility rates in Alberta, friendly people, safe streets, and an enviable climate.

The Medicine Hat Advantage - UNIQUE!

Our Community

- We are Canada's sunniest city, receiving more than 2,500 hours of sunshine annually.
- We are a clean community and people feel safe. We have excellent Police, Fire and Ambulance Services.
- We offer superior recreational facilities, more than 90 kilometres of hiking/biking trails and 250 hectares of parks. There are six first-class golf courses, three indoor and four outdoor pools, six indoor ice arenas, indoor and outdoor waterslides, soccer fields, baseball diamonds, tennis courts, skateboard park, Echo Dale Regional Park, and BMX track. If you enjoy ice, water or sun, there's a sport for every season.
- We are active in arts and culture. Medicine Hat is home to world-class music performers. In 2005, the Esplanade, a world-class arts, heritage and performing arts centre, opens.
- We are a city where people want to raise families.

Our People

- We have talented and dedicated people. Companies say the work ethic of Medicine Hatters is one of the key reasons they are here.
- We care. There are more than 650 people who volunteer through our Senior Services to make Medicine Hat a better place.

Our Natural Resources

We are blessed with natural gas, a river, more sunshine than anywhere else in Canada, and our air is dry and clean. Couple that with our industrious people and what happens:

- The lowest utility rates for gas and electric in Alberta.
- Clean, safe drinking water.
- A flourishing greenhouse industry.
- A great climate for those who want or need warm, dry, and clean air to live.
- Exploration of alternative energy sources like wind power, solar heating, and a water aquifer to cool homes to save electricity.

Our Location

- We are close to the Rocky Mountains, a recreation area among the best in the world, and Cypress Hills Interprovincial Park, the highest point in Canada between Labrador and the Rocky Mountains.
- We are close to world class health facilities in Calgary.
- We are close to commercial centres and markets for our products.
- Yet we are far enough away that Medicine Hat is not a bedroom community, so our business and service sector is strong.

Mayor's Report

As a Council, it is our job to set a course that will allow our city to achieve its vision to be a "Community of Choice" - to be a place where people choose to live, work and play. It may sound simple enough, but this task involves good strategic planning to deliver services and maintain the high quality of life we enjoy today long into the future while following sound financial practices.

Medicine Hat residents and businesses enjoy a quality of life that is hard to match. We often refer to the Medicine Hat Advantage as being the lowest municipal taxes and utility rates in the province. While we want to continue to provide these benefits into the future, there are so many other "advantages" that make Medicine Hat a great community. The About Us section in this annual report provides a more accurate picture of the true Medicine Hat Advantage.

We have so much to offer. Besides being the sunniest city in Canada with mild winters, it's the friendliness of our residents, great outdoor experiences, and a quality of life that is second to none. Besides being a great place to live, it is our people, our natural resources, and our location that make Medicine Hat a sought after community.

The City has made several improvements to the way we serve residents and to the way residents access our services.

Transportation is always a top priority for residents and in 2004 City staff assisted Alberta Infrastructure and Transportation to successfully complete the Trans-Canada/13 Avenue underpass interchange project. We also completed Phase 1 of a two-year project to reconstruct 10 Avenue SW.

The Utilities continue to perform well under market pressures and with the desire to improve their services to Medicine Hat residents.

Following the municipal election in October 2004, the "new" Council held a strategic session to develop a plan for the next three-year term. Council anticipates the year ahead will be just as exciting and we remain committed to working on your behalf to continue to be a "Community of Choice."

We are looking to Administration to develop strategies on alternative energy options, water, and growth management. We also want to work with the residents to establish quality of life indicators, as well as the community's environmental priorities. These are priorities in addition to the

2004 marked Mayor Garth Vallely's third year in office. Mayor Vallely's vision for the city is to be a community of choice. "Medicine Hat is the greatest city in the greatest province in the greatest country in the world and we must continue to work together to maintain our standard of living."

Photo Left: Kick off to the Esplanade Save Me a Seat Campaign. Photo Right Top: Topping Off ceremony at the Esplanade. Photo Right Below: Mayor Vallely with Advisory Committee on Issues Affecting the Handicapped Chair Byron Colbe at the International Day of the Disabled event at City Hall. Courtesy Jody Lamb

exceptional day-to-day services that all our departments deliver to the people of Medicine Hat.

One of these services is the Esplanade Arts and Heritage Centre, which will open in the fall of 2005. The Esplanade brings together our museum, archives, and art gallery, as well as adds a new performing arts theatre and discovery centre all under one roof. The Esplanade is a place for everyone - a community centre at the centre of the community - where we will celebrate and showcase the spirit of Medicine Hat. I look forward to officially opening the Esplanade in 2005 and to seeing residents and visitors alike enjoy this world-class facility and the many programs that will be offered there.

On behalf of Council, I extend my deep appreciation for the dedication and extraordinary efforts of so many people, both inside and outside Administration, who serve the public and enable our vision to make Medicine Hat a "Community of Choice" become a reality.

Garth Vallely

CAO's Report

The 2004 Annual Report is the final stage of our annual strategic planning process for the City of Medicine Hat. Annually, City Council updates its strategic goals for the coming year. With the understanding of Council's direction, Administration develops business plans and budgets in support of our effort to make Medicine Hat "a Community of Choice."

The annual report is the City's commitment to providing open and transparent reporting to residents on how well we did in achieving our goals. We set out to achieve a lot in 2004 and as you'll see in the Report Card section, we fulfilled more than 90 per cent of our goals for the year and are poised to complete the remainder in 2005.

2004 was another banner year for Medicine Hat and the City Corporation. To the credit of a knowledgeable and dedicated staff, we are keeping pace with the needs of a growing community while focusing on City Council's key priorities: fiscal responsibility, sustainable utilities, sound infrastructure, economic development, communications and community relations, environmental stewardship, community development, and organizational strength.

Significant accomplishments include the completion of the Gershaw Drive Fire Station # 3, which provides fire suppression and prevention services to the southwest area of the city, the opening of the South Ridge Recreation and Wellness Centre, and an updated Municipal Development Plan. A number of City departments were also an integral part in the successful completion of Alberta Infrastructure and Transportation's Trans-Canada/13 Avenue underpass interchange project.

In 2004, we sold 313 lots for a total of $21.8 million in residential and commercial land sales. We improved our 24 hours a day, seven days a week access to information by adding new e-Services to the City's website. City employees continue to respond to general inquiries within two days and provide a response or explanation within 14 working days. Medicine Hat continues to enjoy a strong financial position. Property taxes and utility rates are still the lowest in the province.

We established the foundation in 2004 for the completion of several projects in 2005. The Esplanade Arts and Heritage Centre is scheduled to open in fall 2005 in conjunction with the Province's centennial. Following on the success of our two-year budgeting process, Council approved a new three-year budgeting process for 2006-2008, which will allow us more time for strategic planning to ensure departments are

Gerry Labas has served as the Chief Administrative Officer for the City of Medicine Hat since 1999. He also holds responsibilities as Commissioner of the Utilities Division and as President and CEO of Allied Oil & Gas, a wholly-owned subsidiary of the City of Medicine Hat.

Photo Left and Right Below: Kick off for the Going Green wind energy program. Photo Right Top: Meeting with foreign ambassadors at City Hall. Courtesy Jody Lamb

efficiently and effectively meeting the community's needs.

Staff appreciates City Council's continued support for learning and growth in order to be an "employer of choice" and to achieve our mission "to exceed expectations in the value of our services." The coming years will be challenging for our organization as many of our long-serving employees begin to retire. We are placing a greater emphasis on workforce planning and building a more constructive culture in the City organization to aid our recruitment and retention efforts.

The continued improvement of the strategic planning process shows the City's commitment to continually provide a better and more citizen-centered reporting process to residents. For the second year in a row, the City received a Canadian Award for Financial Reporting for the high quality of its annual reports.

The achievements of the City are in no small part due to the hard work and dedication of the more than 1,000 people who work for the people of Medicine Hat. I commend the contributions staff make every day to make Medicine Hat one of the best places to live.

Our Year in Review

The City of Medicine Hat completed, initiated, or continued with several major activities and projects in 2004 to fulfulfill Council's key priorities for the community.

Fire / Protective Services

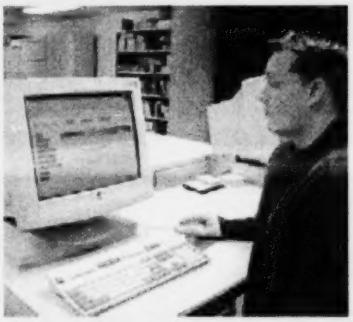
Civic officials, staff, and residents celebrated the official opening of the new Gershaw Drive Fire Station # 3. The new station began providing fire suppression and prevention services in the city's southwest area in December 2004. The City of Medicine Hat hired an additional 18 firefighters - a 35 per cent staff increase - in 2004 to meet the Fire Services needs. The new fire station will save more than $8,600 a year in energy costs because of the environmental design efficiencies, such as energy efficient 'Low-E' glass windows, solar panels for supplementary hot water heating, motion detecting sensors for lighting, and low volume water use toilets.

Yard Waste Collection

The Environmental Utilities department introduced a bin and compostable paper yard waste bag system to the City's weekly yard waste collection service. From 1997 to 2003, residents used plastic bags for yard waste collection. The switch to paper and bins was made to offer additional choices to customers and to eliminate operational and environmental problems from using plastic bags.

E-Waste Recycling

Medicine Hat residents can now dispose of their computers, televisions, and desktop printers in an environmentally friendly way at the City's new Electronic Waste Drop Off Depot at the Landfill. The Alberta Recycling Management Authority estimates that 190,000 televisions and 90,000 computers are landfilled annually in Alberta.



Performance Achievements

Communities in Bloom

Communities in Bloom is a Canadian beautification program that provides information and education, and awards Bloom Ratings for achievement in floral displays, landscapes, turf, urban forestry, community involvement, heritage conservation, environmental awareness, and tidiness. Schools in Bloom is a key component of Medicine Hat's Communities in Bloom initiative. The City was awarded five blooms and a special mention for Landscaped Areas in 2004.

Land Development

Land sales totaled 313 lots at a value of $21,802,093 in 2004 compared to 267 lots at a total sale price of $14,989,801 in 2003. Building permits for commercial, industrial, institutional and residential development totaled $141,454,392 in 2004 – more than double the year 2000 level.

Roadways

The Municipal Works department completed $1.4 million of asphalt overlays, lanes and roads repairs in 2004. The department also completed Phase 1 of a two-year $7.5 million reconstruction project for 10 Avenue SW. When completed in August 2005, 10 Avenue SW will be upgraded from Highway 3 to 30 Street SW.

Performance Achievements

Police Service

After completing a feasibility study, the Police Service purchased Automated External Defibrillators (AEDs) for police vehicles. Statistics show that AEDs increase the survival rate from cardiac arrest. The Police Service received donations from STARS, Crescent Heights Lions, Encana, and the Order of Odd Fellows to purchase five AEDs and to train members.

A joint Police/Child Welfare investigation team was started in Criminal Investigations. The team includes an in-house Child Welfare worker.

The Police Service website was updated with a media link to allow the media access to the daily calls-for-service log. This provides the media with a better understanding of the types and numbers of calls received by police. It also provides more transparency and better media/police relations.

The Forensic Identification Unit has implemented a complete digital photograph system. This reduces storage cost, space and human resource hours during the development process.

National Recognition

A number of events put Medicine Hat in the national spotlight in 2004. The Medicine Hat Tigers won the Western Hockey League championship. Kalan Porter won the Canadian Idol title. We hosted the Continental Cup of Curling. We were awarded the 2005-2006 Canada Cup Baseball Championships and the 2008 Alberta Summer Games. Once again, Environment Canada named Medicine Hat the sunniest year-round city in Canada.

Disaster Services

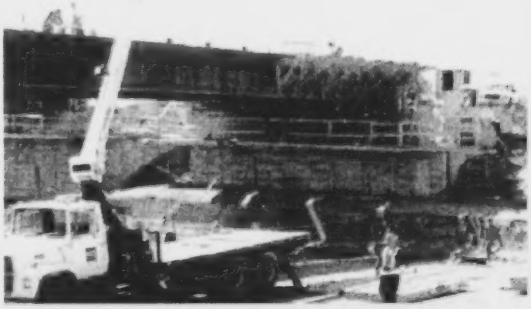
Information and Computer Services developed a stand alone Geographic Information System (GIS) for the Disaster Services team that can be taken anywhere, at any time, so personnel can use current GIS data to make effective decisions in an emergency situation.

Performance Achievements

The Road to the Esplanade

The construction of the Esplanade Arts and Heritage Centre remained on schedule and on budget and will meet its target opening in fall 2005. Recruitment of the Director of Theatre Operations and a Promotions Assistant has increased communications with the community about the new theatre operations and the move of the archives, museum, and art gallery from the Medicine Hat Museum and Art Gallery to the Esplanade. The completion of communication and business plans, with a three-year budget forecast, laid the ground work for Esplanade operations. A Gala Committee was formed in 2004 to begin planning for the Esplanade's public opening.

Trans-Canada / 13 Avenue Interchange



The Trans-Canada Highway and 13 Avenue S.E. underpass was completed in November. The $10-million interchange project, funded completely by the Alberta government, included east and westbound bridges, taking the Trans-Canada Highway over 13 Avenue S.E., and reconstruction of 13 Avenue S.E. from Trans-Canada Way to Strachan Road. About 16,000 vehicles a day travel Highway 1 in the location of the new interchange.

Improved Customer Service

A number of business computer applications were developed so departments can provide better customer service. These include a Permit Remote Inspection System that allows inspectors to view requests and update inspection results from the field via a real time web application. The Business Licence System is used by Planning and Building to maintain and track business licence information.

Realty Asset Management Plan

Municipal Works developed a Realty Asset Management Plan that involves maintenance, energy, and condition audits. The plan also assesses options for best fit, and disposing, acquiring, and consolidating the City's 184 facilities valued at over $125 million. The City intends to begin implementing the plan in 2005.

Performance Achievements

Alternative Energies

The Electric Utility entered into an agreement with Canada's largest generator of wind energy - Vision Quest - to annually produce and deliver 13,050 megawatt hours of wind power to Alberta's energy grid. Like other consumers of electricity, Medicine Hat has access to this environmentally friendly energy source through its electric energy imports from the grid. Going Green fits with the City's Nature's Best Program, which encourages:

- the production of renewable energy sources.
- the wise use of natural resources.
- safeguarding the environment.

The City of Medicine Hat began monitoring the wind capacity near the city to determine the viability of wind generation locally. The City is also looking at the viability of using the aquifer for cooling a residential neighbourhood.

New Electric Generation

The successful completion of the General Electric LM6000 gas-fired turbine is a testament to the City's mission to exceed expectations with our services. The main goals in deciding to undertake the $53 million project were to meet the demands of our Electric Utility customers, improve power plant efficiencies to reduce fuel costs, and reduce environmental emissions. In 2004, the City saved $3.7 million in operating costs compared to the older turbine the LM6000 replaced.

Organizational Development

A corporate-wide workplace flexibility initiative (compressed work weeks and flextime) were implemented for employees. Due to demographic, societal and other changes in the Canadian work force, an increasing number of employees are looking for greater flexibility in the workplace to help them balance work and family responsibilities. From a business perspective, several studies indicate the importance of flexible work options on productivity and employee health/wellness, such as higher levels of job satisfaction and a greater likelihood for employees to rate their workplace as healthy. The corporation also unveiled a comprehensive Occupational Health and Safety Strategy called Safe Today to reduce "hazardous conditions" and "at-risk behaviour" and promote health and safety throughout the organization.

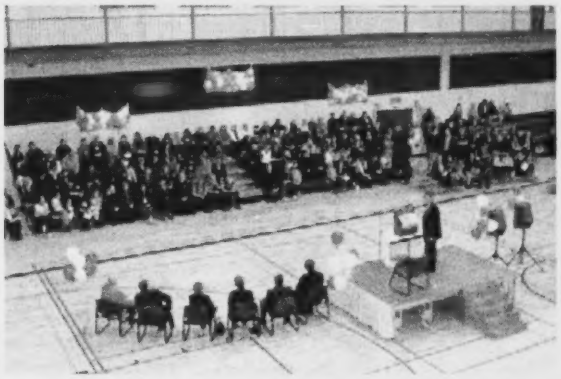
Exceeding Expectations

The City continues to improve on its "2x14 day" customer service approach. The City is committed to responding to inquiries within two days and providing the information requested within 14 days.

Performance Achievements

South Ridge Recreation and Wellness Centre

The South Ridge Recreation and Wellness Centre opened its doors in 2004. The centre was made possible by a five-party agreement involving the Family YMCA, Medicine Hat Catholic Board of Education, Medicine Hat School District No. 76, Southridge Community Association, and the City of Medicine Hat. The centre has a multi-purpose room for classes or meetings, weight room, walking/running track, cardio workout room, and field house gymnasium.



Affordable Housing

The City of Medicine Hat donated $500,000 worth of land for an affordable housing project in the Northlands area of Crescent Heights. The project will consist of approximately 30 units of rental accommodation at slightly below market rental rates.

Municipal Development

City Council completed a review of the Municipal Development Plan (MDP), which provides a 20-year planning horizon for the City. By 2024, the plan calls for continued self-sufficiency from energy and land development. We will respect our natural resources and be conscientious stewards of water and energy. We will continue to have a safe and attractive community due to well-managed growth. The inner City will continue to thrive and attract people. We will continue to be blessed with above-average community services and still have below average costs of living. Medicine Hat will be THE magnet for services and is a major driver of economic opportunity within the region. We are a community that others can only dream about.

Litter Cleanup Blitz

This is the fourth year the City has organized a Litter Cleanup Blitz. More than 200 residents volunteer their time for the one-day event. Although the amount of litter collected varies from year to year, the blitz usually collects approximately six, one-tonne truckloads of litter. The annual citywide cleanup is an opportunity for individuals, school classes, and groups to demonstrate their community pride and involvement in cleaning up the environment.

West Nile Virus Prevention

The Parks and Outdoor Recreation department partnered with the Alberta Government, Cypress County, Town of Redcliff, and Capital Health Region on a West Nile virus mosquito monitoring program to help combat the spread of the virus in the region. West Nile virus is a mosquito-transmitted virus that causes infections in birds, mammals, and people.

Performance Achievements

Senior Services

Forty community partners were involved in the development of CRANE (Community Response to Abuse and Neglect of the Elderly), an initiative to decrease emotional, financial, physical, and sexual abuse and neglect of older persons by providing education, advocacy, and response.

E-Services

Service at Your Fingertips

Through the e-Services section of the website, residents can use an interactive City map, view their property assessment information, view approved development permits, report almost any problem to various departments, and find the nearest recycling depot to their home or the schedule for their next garbage pickup. Residents can also find out which residential, commercial, industrial, or multi-family lots are available, see the lot prices, and fill out a purchase application.

Multi-Year Budgetting

The City of Medicine Hat moved from a one- to two-year budget cycle in 2004. In 2004, the City also decided to move to a three-year budget cycle for 2006-2008. The goals of the new budget cycles are to enhance long-range forecasting, provide more certainty for programs and services, provide a better planning horizon for customers and residents, show the impact of major capital projects on the operating budget, reduce staff, committee, and Council budgeting workloads, and be more strategic with allocating resources.

Urban Forest Management

The Parks and Outdoor Recreation department achieved a 15-year pruning cycle - down from the historic 21-year tree pruning cycle. The benefits of the reduced pruning cycle are improved health of the trees, increased tree life expectancy, and increased value of trees. The Parks and Outdoor Recreation department also hosted the International Society of Arboriculture Prairie Chapter Annual Tree Climbing Championships at Central Park in Medicine Hat in 2004. This is the second time Medicine Hat has hosted the championships, which challenge and demonstrate the participants' skill levels needed to do their daily jobs.

Our Report Card

Council's Priorities

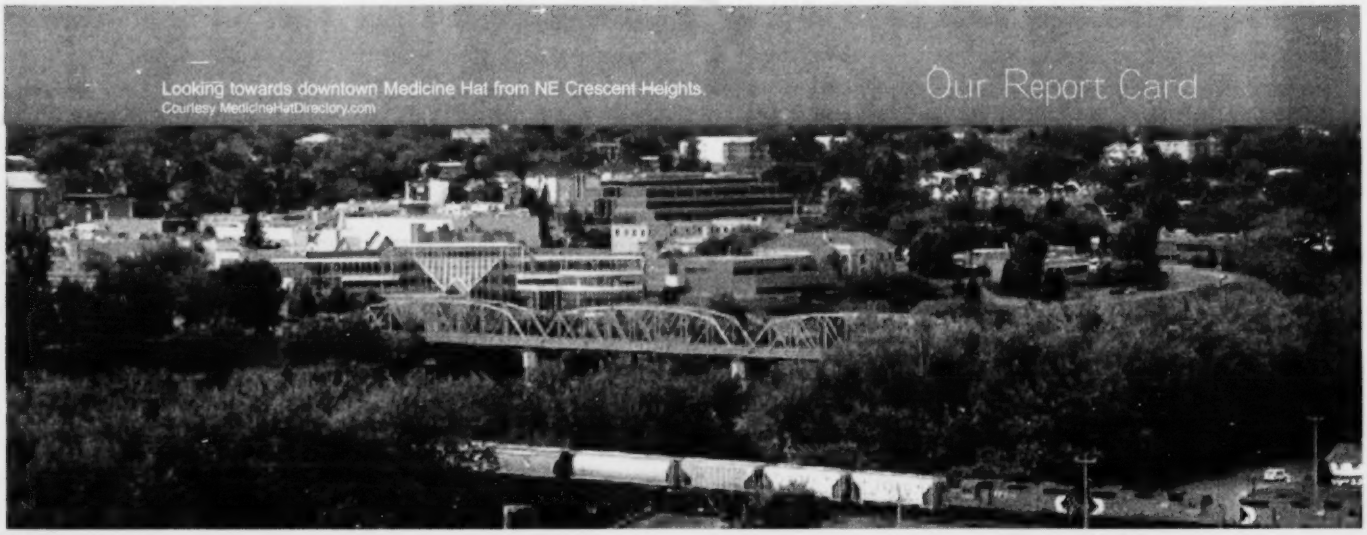
Council is proud of the significant accomplishments the City of Medicine Hat has achieved, and in particular, its recent efforts to respond and adjust to the challenges the City faces - challenges that reflect the increasing expectations placed upon civic government. Council concentrates its efforts on eight priorities to provide direction for the future.

City Hall at night.
Courtesy MedicineHatDirectory.com

Fiscal Responsibility Maintaining a Strong Financial Position

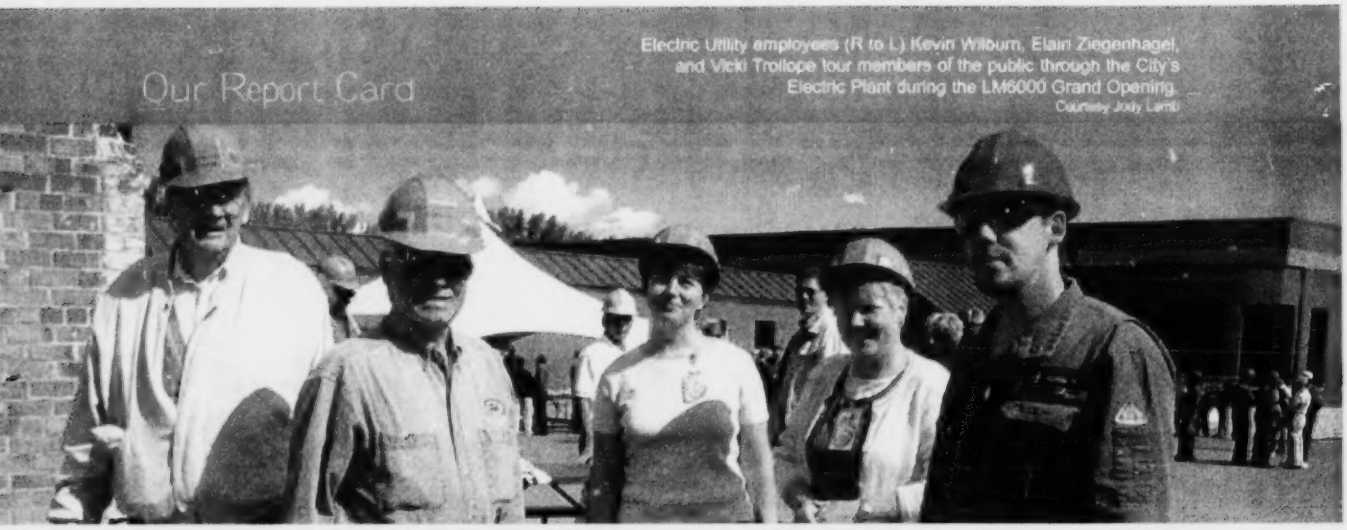
Council strives to ensure that services provided by the City of Medicine Hat are affordable and well-managed. Strategies in this regard work toward attractive taxation, utility rates, and user fees, balanced with the need to maintain a growing infrastructure and ongoing service quality.

Strategy	Goal	Done	Comments
Ensure property tax adjustments are appropriately managed from both the short- and long-term perspective.	▸ Analyze future expenditures and the impact they will have on property tax.	✓	▸ Approval was received to proceed with the first two-year budget.
Undertake a thorough review of the City's fiscal direction to identify and maintain those policies that continue to remain relevant, and to update and improve those policies that no longer contribute to sound fiscal management.	▸ Undertake a review of all City financial policies.	✓	▸ Travel Allowance Policy and Capital Approval Process under review. Investment Policy updated.
Ensure administration is conscientious in spending public dollars, and is attentive to reducing expenditures whenever possible. Expenditures will continue to be directed to areas that have the greatest impact upon the quality of services delivered to the Medicine Hat community.	▸ Undertake zero-based budgeting on a portion of the business units annually.		▸ Project charter to be developed.
	▸ Maintain parks as Class 1 and Class 2 and continue with Natural Areas management.	✓	▸ Practice continues.
	▸ Consider using an outside leasing agency for new vehicles through Fleet.	✓	▸ Evaluation indicates Fleet can remain competitive.
Explore new opportunities for increased revenues, and examine the possibility of implementing or expanding existing services that can generate new revenues.	▸ Recommend new sources of revenue.	✓	▸ Implemented e-Services for the tax and assessment areas. Landfill operation is now offering services to outside customers.
Continue to balance the use of debt and equity to ensure that both current and future ratepayers share appropriately in the cost of new infrastructure.	▸ Continue to use debt as a form of financing as long as the "debt level" is prudently managed and there is sufficient cash flow to service the debt.	✓	▸ Cost reduction and other revenue sources are considered before implementing rate increases. Rate increases are compared to other communities.



Looking towards downtown Medicine Hat from NE Crescent Heights.
Courtesy MedicineHatDirectory.com

Strategy	Goal	Done	Comments
Initiate a review of the budget process in order to expedite the preparation of the budget and improve public reporting.	▸ Consider multi-year budgets beginning in 2004.	✓	▸ Started multi-year budget and an amending process for 2004-2005.
	▸ Ensure a balanced approach is taken (revenue vs. expenditure considerations) toward budgeting.	✓	▸ Using the Strategic Plan as a guide, Business Plans were developed for each department to achieve a balanced approach to achieve Council's priorities.
	▸ Council recognizes revenue considerations are important because we have to live within our means.	✓	▸ Estimation of annual revenues are done by an objective, analytical process using trends, judgmental and statistical analysis. City Council strives to maintain rates lower than market.
Continue to manage land, water, and energy assets to ensure a lasting return on its investment.	▸ Develop a position paper.		▸ In progress. Goal is a part of the 2004-2006 Strategic Plan. Land and Properties department operates with a 15 per cent return on investment goal.
Ensure Medicine Hat's attractive position is maintained year over year and that the city remains competitive with other municipalities.	▸ Administration regularly prepares an assessment of its taxes, fees, rates, and charges, relative to the comparable enterprises and other Canadian communities.	✓	▸ The City of Medicine Hat is the lowest taxed jurisdiction in Canada and has the lowest utility rates in Alberta.
Ensure taxpayers continue to receive value for money. The City is to look to alternative service providers only if we receive the same quality for substantial savings.	▸ Periodically review various areas for potential savings through alternate service providers.	✓	▸ On a comparative basis, the City of Medicine Hat remains in line with like-size municipalities with respect to tax-side spending.



Electric Utility employees (R to L) Kevin Wilburn, Elain Ziegenhagel, and Vicki Trollope tour members of the public through the City's Electric Plant during the LM6000 Grand Opening.
Courtesy Jody Lamb

Sustainable Utilities Managing the Investment

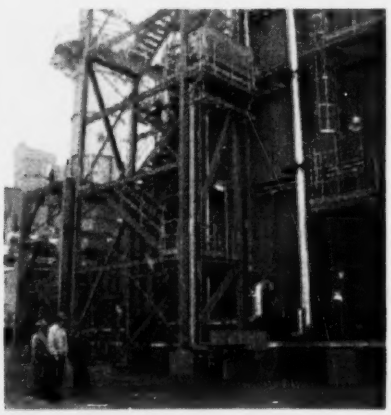
Medicine Hat's enviable cost of living continues to be supported through the ownership and careful management of its stand-alone enterprises. These include Gas, Electric, Water, Sewer, and Solid Waste Utilities, plus the Land and Properties Department. By pursuing strategies that promote sustainable growth, ensuring appropriate infrastructure maintenance and replacement, and seeking out alternative revenue options, Council can continue to offer attractive utility rates and use sales proceeds to generate annual dividends to offset the requirements for property taxes.

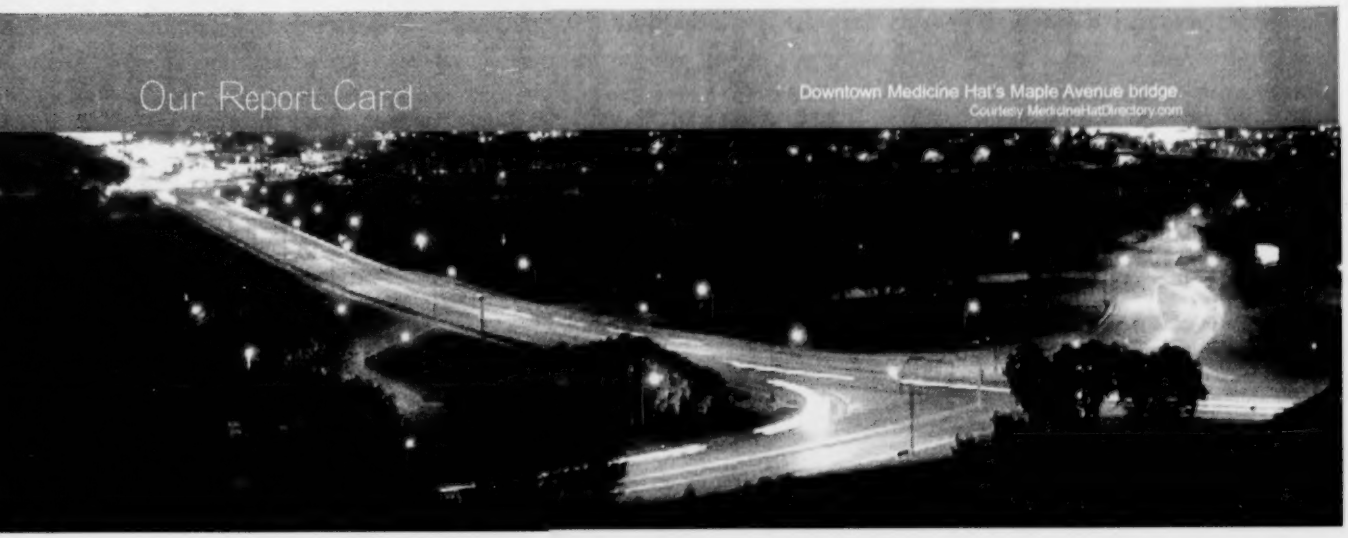
Strategy	Goal	Done	Comments
Council is committed to a policy of long-term financial stability for all City utilities, and to financial practices that promote their sustained growth. Issues identified in 2003 that require attention include: (a) 10-year reserve life index for gas; (b) sustainability of the three per cent growing cash dividend; (c) payment of a cash dividend if a utility is not profitable.	▸ Maintain City ownership.	✓	▸ City ownership continues to provide a competitive advantage over other service providers.
	▸ Review recycling program.		▸ Environmental Utilities will be undertaking a waste diversion study in the next planning period.
	▸ Continue with presence in the gas and oil production business. Target an average return of 10 per cent on a portfolio of oil and gas production investments. The targeted return on an individual investment commensurate with its strategic value and with the level of risk.	✓	▸ Return on investment (ROI) targets in Gas Production continue to exceed the City objective.
	▸ Update the Sustainable Utilities Position Paper together with an analysis of the gas reserve life index.	✓	▸ A gas reserve evaluation has been completed and the gas reserve life index stands at 11.6 years.
	▸ Reconfigure the make up of the Allied Board.		▸ A report to Council is being prepared by the Solicitor's Office.
Administration explores alternative revenue options for the City's utilities.	▸ Administration reports annually on new revenue streams.	✓	▸ Done quarterly.
Support a policy of preventative maintenance, timely repair of utility infrastructure, and replacement of outdated equipment and systems.	▸ Electric Distribution's reliability exceeds the national upper quartile of 0.999945 of urban municipalities.	✓	▸ Started phase one of replacing existing Utility Customer Information System to improve information to customers.
	▸ Water and Sewer utility responds to calls within four hours 95 per cent of the time.	✓	▸ Goal met.

Gas Distribution installs a high-pressue main at 10 Avenue SW.
Courtesy Gas Utility

Strategy	Goal	Done	Comments
Council is cautiously optimistic that the continued deregulation of utilities will be beneficial to the viability of civic operations. Administration provides a regular and thorough review of deregulation initiatives outlining potential opportunities and risks they may present.	▸ Administration continues to work with the Alberta Department of Energy to ensure the City retains its exemptions under the Electric Utility Act.	✓	▸ A business analyst has been transfered to Electric to ensure proper attention is given to this item.
Maintain or increase the Gas Production asset.	▸ Reduce the losses in the other utilities thereby reducing the financial burden on Gas Production.	✓	▸ The City of Medicine Hat is in year two of a Council approved plan to reach cost recovery in all business units within five years. This will allow Gas Production to reduce its transfers to the other Utilities business units.

Photo Left: Solid Waste Collection worker Gary Reeder.
Photo Right: The LM6000 gas-fired electric generation turbine.
Courtesy Jody Lamb



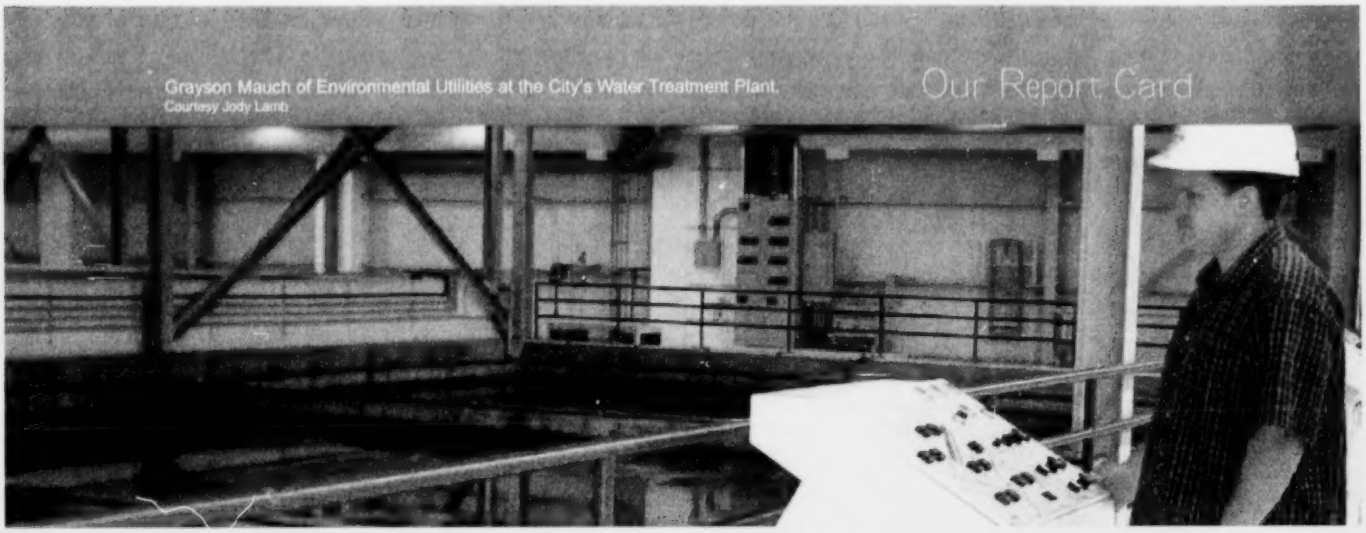


Downtown Medicine Hat's Maple Avenue bridge.
Courtesy MedicineHatDirectory.com

Sound Infrastructure Planning for Tomorrow

Sound infrastructure not only supports the quality of life for the residents of Medicine Hat, but is a significant contributor to the economy as well. Through wise expenditure of public funds on maintenance and replacement initiatives, as well as strategic investment in new infrastructure, City Council strives to provide a strong base from which the community can thrive and grow. An appropriate balance among transportation systems, pedestrian corridors, buildings, facilities, and amenities is continually sought.

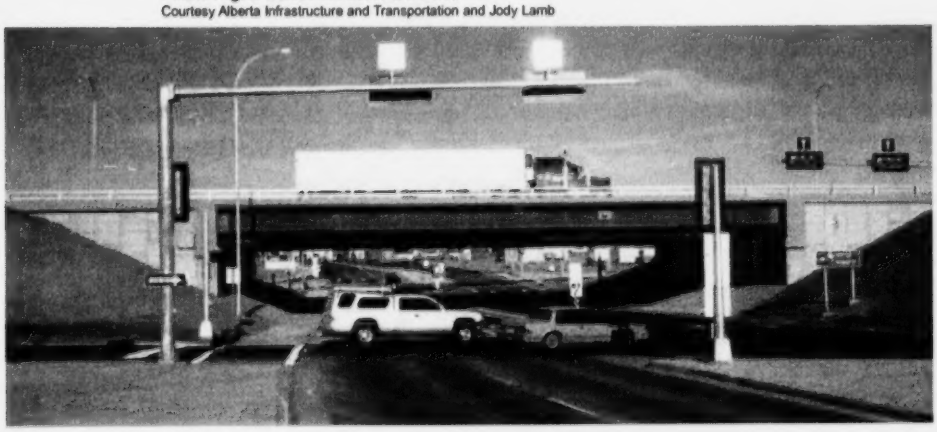
Strategy	Goal	Done	Comments
Maintenance of City pedestrian systems is a priority for most Medicine Hat residents. Allocate continued funding for renewal of streets, roads, and trails.	▸ The measure of total dollar maintenance per lane kilometre meets the Industry Standard measurement.	✓	▸ Municipal Works has completed a pavement quality index and additional funding has been budgeted to improve roadway systems maintenance.
Some of the City's streets and intersections are nearing capacity, and improvements are required to accommodate increased traffic volumes and address safety concerns. Devote appropriate resources toward planning for the future.	▸ Undertake one transportation system management project per year.	✓	▸ Roadway System Master Plan (RSMP) started to detail system improvements for the next 20 years.
	▸ Review busy intersections and traffic corridors for congestion and safety.	✓	▸ Completed as part of RSMP.
	▸ Maintain support for Highway 3 twinning.	✓	▸ The City continues to lead corridor municipalities in this effort.
	▸ Review air service.	✓	▸ Completed.
	▸ Continue to maintain transportation services at a high level.	✓	▸ The Province has agreed to meld its highways systems plan with the City's Roadway System Master Plan.
	▸ Thirteenth Avenue and Trans-Canada Highway Interchange substantially completed by November 2004.	✓	▸ This Alberta Infrastructure and Transportation project is complete.
Council realizes that when infrastructure is outdated and its useful life has passed, it is no longer economical to maintain it. Assess the financial impact of future replacement options, and report back to Council on the required investment.	▸ Establish pavement quality index rating on all arterial, collector, and local roads and establish a network rating.	✓	▸ This has been completed and work schedules are being adjusted for 2005.

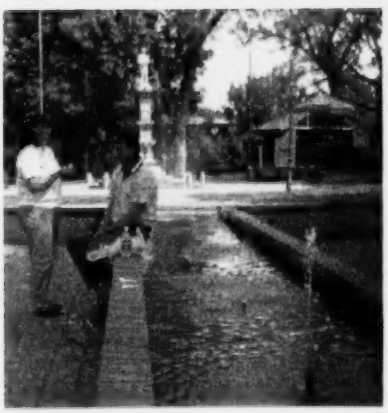


Grayson Mauch of Environmental Utilities at the City's Water Treatment Plant.
Courtesy Jody Lamb

Strategy	Goal	Done	Comments
Support the development and ownership of a significant number of buildings, facilities, and amenities - pools, arenas, recreational centres, libraries, and parks. Preventative maintenance, timely repair, and regular upkeep are critical to maximizing the useful life of this infrastructure.	▸ Implement a Realty Asset Management Plan in 2003-2004.		▸ Implementation will begin in 2005. This plan provides guidance and direction in the management of the City's facility infrastructure for the next 20 years.
Consideration must be given to investments in new infrastructure, both to accommodate growth and to stimulate economic and community development. Strategically review infrastructure requirements in order to realize the maximum return and benefit on its investment in new infrastructure.	▸ Get a 10 per cent return in net revenues or cost savings when investing in new infrastructure.	✓	▸ The City applied for and received $1.8 million in interest free financing from the ME First program. The ME First program provides interest free funding for energy efficient projects.

Photo Left: New Trans-Canada / 13 Avenue underpass interchange.
Photo Right: Lunch in Riverside Park.
Courtesy Alberta Infrastructure and Transportation and Jody Lamb





Construction continued to boom in Medicine Hat with 313 lots sold in 2004.
Courtesy Clear Concepts and Design

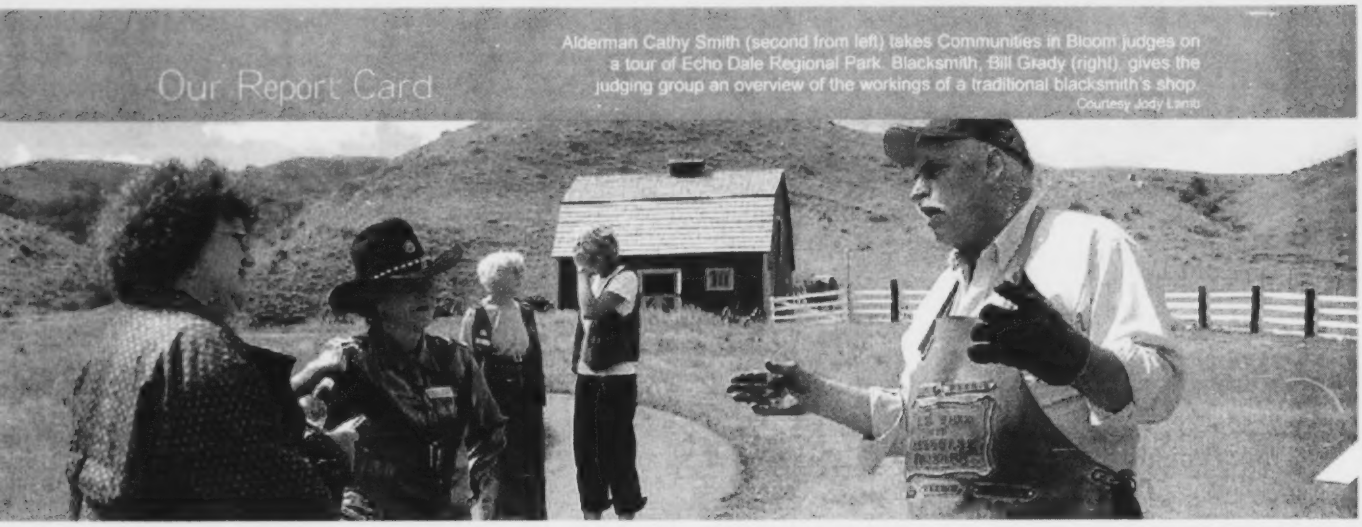
Economic Development Balancing Our Approach to Economic Growth

Council continues a strong commitment to economic vitality. As municipal government creates the business environment and the infrastructure necessary for prosperity, Council's strategies centre around eliminating barriers and creating a balanced approach for economic opportunities and sustained growth. This approach includes offering the highest quality environment, services, and amenities necessary to attract new business investment, as well as supporting the retention and expansion of existing local businesses.

Strategy	Goal	Done	Comments
The City remains in the "land business" since the community relies on the Land and Properities unit to have "lot" inventory available during high growth and minimal growth periods.	▸ Land Department sells 150 residential lots per year.	✓	▸ Sold 259 residential lots in 2004.
	▸ Land Department sells for commercial purposes an amount equal to 30 per cent of residential land sales.	✓	▸ Sold $5 million in commercial and $15 million in residential land sales.
	▸ Land Department has 300 residential lots in inventory at the end of the year.		▸ 118 lots at year end.
	▸ Determine if City should remain in the land development business.	✓	▸ City to remain in land development.
	▸ Review availability of and marketing strategies for residential, commercial, and industrial lots.	✓	▸ Marketing and pricing strategies are considered in all decision items going forward for approval.
	▸ Bring forward a recommendation on the optimum level of "lot inventory" to have available for sale.	✓	▸ Recommended and Council approved a 250 lot inventory target.
Initiate opportunities for economic partnerships with neighbouring jurisdictions, understanding that future economic development is dependent on the cooperation of regional municipalities in southeastern Alberta.	▸ Invite neighbouring municipalities for at least one information session or conference a year to promote opportunities for economic partnerships.		▸ The City will be hosting a meeting with the City of Lethbridge in 2005. The City, Redcliff and Cypress County are looking at joint initiative opportunities in conjunction with their upcoming Intermunicipal Development Plan.
The Economic Development Alliance (EDA) Board should be given an opportunity to identify its goals and objectives, which are reviewed by Council. By bringing businesses to the "region" it will benefit all partners.	▸ Council's representatives on EDA periodically brief Council on its direction.	✓	▸ Ongoing.
	▸ Business Support assists investors coming to the City for assistance.	✓	▸ The Business Support Office has been successful and will maintain its pace for 2005.
	▸ EDA reports to Council on its business plan, measures of success, and staff assessment of EDA.	✓	▸ A report was brought forward in November and another presentation is planned for spring 2005.

Medicine Hat's world-famous "largest" tepee is a beacon for tourists along the Trans-Canada Highway.
Courtesy MedicineHatDirectory.com

Strategy	Goal	Done	Comments
Support administrative entrepreneurship, and encourage investment in new programs or services that provide a significant financial return.	▸ Business Support assists the EDA in its "proactive role" of encouraging investment in Medicine Hat.	✓	▸ Business Support Office provides funding, open communication, and a cooperative and team approach to strategic initiatives with the EDA.
	▸ Business Support maintains high quality City Internet website.		▸ Website maintained by Communications Office and Information and Computer Services.
	▸ Business Support maintains/reviews Opportunity Profile every year.	✓	▸ Opportunities Profile and Community Profile reviewed and updated quarterly.
	▸ Business Support develops an ongoing system to update and monitor local business trends and report on economic indicators.	✓	▸ Statistics and data are updated monthly, quarterly or annually as information becomes available.
Continue to explore options to expand and diversify its tax base.	▸ Identify and prepare a market strategy targeting two or three priority business sectors (that represent future high-growth industries) as an initiative to expand the tax base.	✓	▸ Through Palliser Economic Partnership, the EDA and Business Support Office are focusing on value-added agriculture, tourism, and energy.
The downtown establishes the City's image and its competitive position within the province, and renewed attention to this valuable asset is required. Undertake the City Centre Initiative to provide future direction and opportunities for improvement.	▸ Work with the City Centre Development Agency (CCDA) executive to identify action plans satisfactory to the City and CCDA where a complementary contribution can be made toward enhancing the downtown.		▸ Report to be provided with 2005 budget request.
	▸ Determine extent of City support to CCDA.	✓	▸ City provided $100,000 grant to CCDA.
Council acknowledges that the future of Medicine Hat relies on the City's ability to retain and re-attract its youth. An appreciation for competitive employment opportunities and suitable family and leisure opportunities within the City is required.	▸ The City, in cooperation with groups such as the Chamber of Commerce, sponsor one "Youth Summit" per year to exchange ideas, concerns, and needs.		A Youth Wellness Conference is planned for 2005. Mayor's Youth Advisory Committee to be established in 2005.
Council does not endorse leapfrog development, but recognizes, in certain circumstances, there may need to be exemptions. To mitigate the need for this type of development, the City ensures its Municipal Development Plan is current.	▸ Bring forward a proposed Municipal Development Plan update.	✓	▸ Completed and received approval for a new 20-year Municipal Development Plan.



Alderman Cathy Smith (second from left) takes Communities in Bloom judges on a tour of Echo Dale Regional Park. Blacksmith, Bill Grady (right), gives the judging group an overview of the workings of a traditional blacksmith's shop.
Courtesy Jody Lamb

Communications and Community Relations

Dedicating Our Efforts to a Progressive Council and an Informed Community

Medicine Hat residents are interested in the actions taken by their municipal government to serve the community. They also expect to be informed on emerging issues and critical Council decisions. Regular communication is required and access to relevant information is necessary. City Council recognizes the significant roles it plays in keeping the community informed, and wants to ensure that it performs its communications role to a high standard. In support of Council, the Administration is required to provide accurate information to the community, and to be accessible in answering public inquiries and concerns. A high level of customer service is expected in the areas selected by Council.

Strategy	Goal	Done	Comments
Continue to support a policy of freedom of access to information and endeavour to promote improvements that enhance such access.	▸ Responses to all information requests are promptly handled using the "2x14 day" inquiry turnaround process.	✓	▸ "2x14 day" process being used. The City has received numerous compliments on the "2x14 day" process. The City's website continues to be an effective and efficient tool for providing the public and businesses with electronic access to information 24 hours a day, seven days a week.
Important civic issues requiring public understanding and involvement are widely published.	▸ A number of public open houses are held each year on a particular civic issue. ▸ Undertake customer surveys on the effectiveness of the public open houses and/or acceptance/concern over civic issues.	✓	▸ Ongoing. Open houses are a regular part of the City's public information efforts. ▸ Customer satisfaction survey and public engagement policy planned for 2005.
Council communicates policy and direction, while civic staff address technical administrative matters in advising the community.	▸ None	✓	▸ City Council completed an annual strategy session and the outcome was communicated to staff.

The City takes members of the public on a tour of the newly opened Trans-Canada Highway and 13 Avenue underpass using a transit bus.
Courtesy Jim Flemming

Strategy	Goal	Done	Comments
Commit to effective two-way communication resulting in the development of well-understood and accepted policy and leadership direction. Civic staff are expected to address technical and administrative matters in advising the community.	▸ Track the print / electronic releases that are positive or negative about the City. Have more positive than negative releases.		▸ Releases tracked. Positive to negative ratio not tracked.
	▸ Recruit a Research and Communications Analyst to be the "first point of contact" for citizen concerns directed to the Mayor, Council, or Senior Administration.	✓	▸ Analyst recruited. Provides advice and counsel to Mayor, CAO, and senior Administration on responding to citizen concerns.
Establish an attitude of innovation and improvement that is reflected in the procedures and practices.	▸ Investigate the move to digital / technology improvements in Council Chambers that will increase efficiency and effectiveness.	✓	▸ Recommendation on technology improvements were made to the Administrative and Legislative Review Committee. Council recommended to continue to research this area.

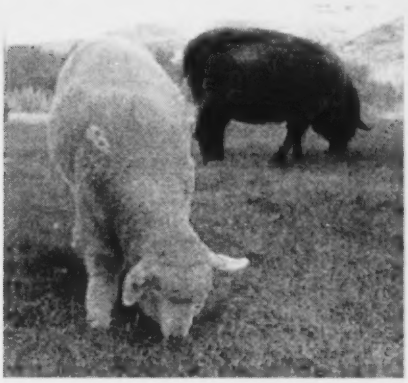
Students from George Davison Elementary participate in the Communities in Bloom Schools in Bloom program to help make the city even more beautiful.
Courtesy Jody Lamb

Environmental Stewardship Focusing Our Knowledge and Awareness

The city's natural environment represents a substantial asset that few prairie cities enjoy. The abundance of trees, clean air, and the city's scenic river valley and its sparkling waters serve as a natural oasis in the prairie landscape. Council recognizes the key strategic, economic, and social value of a healthy environment. Maintaining the quality of our natural environment represents a community obligation. Council wants its municipal government to be a steward and a leader of responsible environmental decisions and actions in support of this obligation. Collectively, the Administration holds a broad understanding of environmental issues. However, to be a more effective resource to the community, Administration needs to be more focused in its approach to environmental management. Furthermore, Council needs to be more aware of environmental concerns in order to provide leadership.

Strategy	Goal	Done	Comments
The quality of the city's natural environment is a significant factor to the community's quality of life. Administration needs to be aware of the implications of its operations on the environment, and to focus its collective knowledge on addressing environmental issues.	▸ Reduce the amount of solid waste in the landfill by 50 per cent.		▸ Target to be achieved by the end of 2005. Seven-year trend supports achieving the goal. However, 2004 was behind due to strong economic activity mainly in the non-residential sectors.
	▸ Maintain recycling efforts and composting initiatives.	✓	▸ Improved environmental practice by eliminating plastic bags for yard waste collection.
	▸ Investigate present issues associated with curbside recycling.	✓	▸ Initiated comprehensive waste diversion study to define new target and strategies to 2010.
Ensure that growth and development of the city is sustained long into the future balancing economic development with the protection of the natural environment.	▸ Recover solid waste costs through the sale of municipal compost.		▸ Investigating biosolids compost marketing opportunities for 2005.
	▸ Support the development of initiatives contributing to the increased use of alternative, renewable sources of energy, conservation, and safeguarding the environment through the Nature's Best Program.	✓	▸ The Going Green wind energy program was launched through the Nature's Best Program in 2004.

Photo Left: Resident sheep at Echo Dale Farm. Courtesy Jody Lamb Photo Middle: Krystal Bertsch (left) and Christine Ziegenhagel (right), temporary employees with Parks and Outdoor Recreation, keep our parks and natural areas looking tidy. Photo Right: Betty Oerlemans, a volunteer trail monitor, collects litter left on the trails. Courtesy Clear Concepts and Design



Strategy	Goal	Done	Comments
Support a river basin water-quality monitoring program that ensures water quality is maintained within federal and provincial environmental standards upstream of the city and downstream as a result of the City's use of water.	▸ Have a water-quality monitoring program that is within the guidelines of Alberta Government Environment standards and the Canadian Government Environment standards.	✓	▸ Monitoring ongoing through participation in watershed advisory groups and through routine operational water testing.
	▸ Plan for supporting trees, park and natural areas during droughts.	✓	▸ The City uses sound water management principles to water in the most effective and efficient way.
	▸ Review, with the Province, the continued availability of potable and non-potable water supplies (river basin, St. Mary's system).	✓	▸ Water Demand Study IV completed in 2004 included licence reviews and source capacities.
Plan, design and operate practices, which continuously monitor impacts of discharge into the atmosphere, river basin, ground water, and land mass to ensure that there are no adverse environmental consequences.	▸ Air quality is not adversely affected in the city.	✓	▸ Palliser Airshed Society is monitoring air quality in the city.
	▸ Implement a planning approval process to evaluate the impact on air quality of applications for new developments as well as proposed changes to existing developments.		▸ Environmental Compliance Office is developing an Environmental Management System for the Corporation.
	▸ Have a monitoring program that ensures air quality is maintained at acceptable levels in the city as a result of activities within the City's jurisdiction.	✓	▸ Palliser Airshed Society is monitoring air quality in the city.
Have a "focal point" for environmental issues faced by the City of Medicine Hat.	▸ Create an Environmental Compliance Office within the City organization.	✓	▸ Office established.
	▸ Ensure corporate compliance with environmental legislation.		▸ A high level audit was completed. An Environmental Management System is being developed for 2005.
	▸ Increase awareness of current and emerging trends that could impact the City of Medicine Hat.	✓	▸ Environmental Compliance Office provides this service.
	▸ Support the City's commitment to consider environmental impact during the normal course of business.	✓	▸ Work began on developing an Environmental Management System. Implementation is expected in 2005.

Cst. G. Sadlemyer (left) and Cst. K. Shilka (right) of the City of Medicine Hat's Police Service's Mountain Bike Team (MBT) operate on a 10-hour shift, the majority of them being night shifts. The team diligently targets problem areas of drug trafficking and other criminal acts throughout the city resulting in numerous arrests and crime prevention. Courtesy Police Service

Community Development Attending to the Well-being of Our Residents

Council is dedicated to a balanced approach for developing and enhancing the overall well-being of our community. It is Council's desire to ensure that residents of this community can continue to feel safe and have their property protected, enjoy a clean environment and attractive open spaces, participate in a diverse blend of cultural, recreational, and leisure activities, avail themselves of organized and accessible modes of transportation, and find appropriate local social support mechanisms when circumstances warrant.

Strategy	Goal	Done	Comments
Acknowledge that a segment of the population faces challenges related to income, employment, education, security, and affordability. Provide support through a variety of social development initiatives.	▸ Have dollars per capita spent on social development initiatives in relation to peer group.	✓	▸ Medicine Hat's expenditures on social development initiatives are in the top quartile of other cities in Alberta.
Provide services and programs that are tailored specifically to the needs of seniors, youth, and families.	▸ Have dollars per capita spent on senior, youth, and family initiatives in relation to peer group.	✓	▸ Approximately $20 per capita in support of social development initiatives.
	▸ Review partnership options for a South Ridge recreation facility.	✓	▸ South Ridge facility completed through a five-party agreement.
Value the services provided by police, fire, 9-1-1, and ambulance in maintaining a safe and secure community. Commit to preserving the quality of these services, while balancing its investment in these services with other needs in the community.	▸ Response time for a 9-1-1 telephone pickup be within three rings 95 per cent of the time.	✓	▸ Target surpassed.
	▸ Revenue/cost ratio on a per capita basis versus peer group.		▸ True comparisons are difficult because of the different ways revenue/cost ratios are calculated by peer groups.
	▸ Ensure safe and secure community.	✓	▸ The City has a low crime rate and a high crime solve rate.
	▸ Envision long-term plan for fire station.		▸ Planned for 2005.
	▸ Review Province's Task Force Sub-station regarding Fire and Ambulance amalgamation.		▸ Health Region to assume ambulance service in 2005.
Take a leadership and advocacy role to ensure comprehensive health care services are available and provided within the community.	▸ None	✓	▸ Continue to work with health agencies on community health and wellness initiatives.

Photo Left: The Family Leisure Centre lights up the night sky. Courtesy City of Medicine Hat
Photo Right: Summer program at Elm Street School. Courtesy Community Development

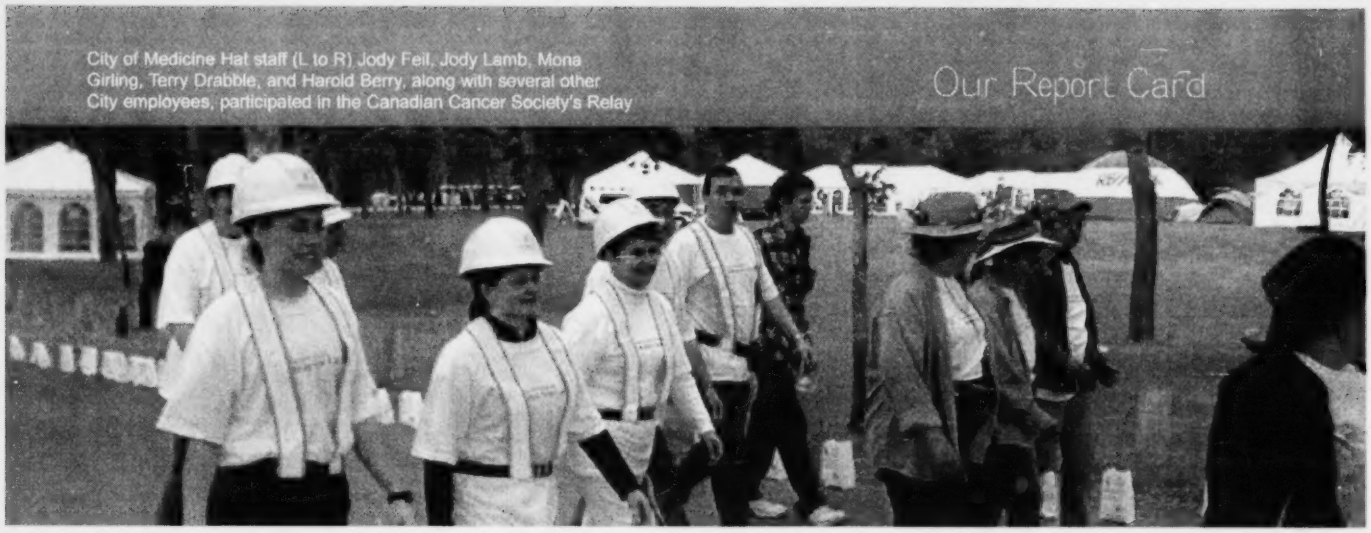
Strategy	Goal	Done	Comments
Commit to keeping affordable housing in the forefront of the policy agenda.	▸ Dollars per capita spent on social housing units that the City owns in relation to peer group.	✓	▸ Housing Society received $1.2 million from senior levels of government for homeless initiative.
	▸ Reduce waiting lists for affordable housing.	✓	▸ Waiting lists for social housing have been reduced from a high of over 200 to 152 in 2004.
	▸ Increase availability of affordable housing.	✓	▸ New project opened in 2004. Nineteen unit transitional housing project approved.
	▸ Lobby senior government on affordable housing.	✓	▸ City staff are represented on provincial- and national-based committees and task forces.
	▸ Create partnerships on affordable housing.	✓	▸ City has facilitated a project that will be introduced in 2005.
	▸ A definition for affordable housing reflects a Medicine Hat definition that is communicated to the community.	✓	▸ Definition approved by City Council in 2004.
Continue to examine efficiencies and effectiveness in the provision of Transit services in order to ensure an appropriate balance between affordability, accessibility, and convenience is attained.	▸ Ninety five per cent satisfaction rate measured by annual Transit surveys.		▸ Satisfaction levels in preliminary study between 80 - 90%. Undertaking a more detailed transit study in 2005.
	▸ Explore options to reduce costs and increase ridership.	✓	▸ A transit fee scale review is underway. To be completed in 2005.
Continue to support initiatives that enhance the artistic and cultural qualities of the city.	▸ Dollars per capita spent on cultural events in relation to peer group.		▸ Data to be completed in 2005 with the opening of Esplanade.
	▸ Construct (on time, on budget) an arts, heritage and culture centre.	✓	▸ Esplanade project on time and budget.
Wherever possible, services should not be eliminated, but on the other hand, municipalities should not have to step in to fill the void left by senior levels of government.	▸ Continue to lobby the appropriate levels of government with respect to provincially or federally supported services.	✓	▸ City staff are represented on provincial- and national-based committees and task forces.
Recognize the value of the Medicine Hat College to the community and suggest areas of support that might be given to the College.	▸ Work with the College to explore the feasibility of a program for cross-trained paramedic and fire personnel.		▸ Did not proceed when Province announced take over of ambulance service for 2005.
	▸ Undertake a major initiative to combine Fire and Ambulance into a new Emergency Services Department.		▸ Amalgamation of services stopped when Province announced Palliser Health Region to take over ambulance service in 2005.

City employees (L to R) Patricia Bradley-Pahl, Larry Godin, and Barbara Dux get into the spirit of Medicine Hat's Exhibition and Stampede, first held in 1887.
Courtesy Jody Lamb

Organizational Strength Staff are the Foundation of the Enterprise

The City of Medicine Hat is proud of its diverse and dedicated workforce. Council understands that excellent service to the community starts with skilled and motivated staff. The City is committed to helping employees achieve their full potential through an open sharing of information and by supporting a variety of personal development initiatives. Just as the City desires to be a "community of choice," it also strives to be an "employer of choice."

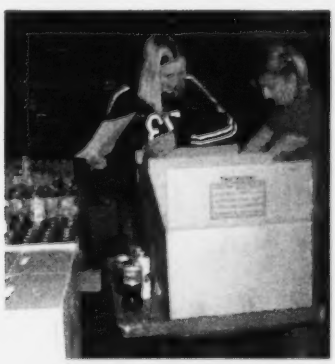
Strategy	Goal	Done	Comments
Review relations with staff.	▸ Examine Council, Committee, and Administrative structure.	✓	▸ Review took place. New division commissioner to be hired in 2005.
	▸ Conduct a strategy session.		▸ Session scheduled for 2005.
Provide encouragement and promote access to training and development opportunities in order to support corporate strength and long-term career objectives.	▸ A high percentage employee satisfaction that training and development opportunities are supporting their work life.	✓	▸ 84 per cent of employees agree they receive appropriate training and guidance in order to carry out their work.
	▸ A succession plan in place that recognizes, to a large degree, that internal growth must come from within.	✓	▸ A thorough analysis of the issue was undertaken in 2004. Approximately 25 per cent of the 798 permanent positions may be eligible for retirement by 2008. Succession from within continues to be a key strategy through department led technical training, Human Resources led leadership development, and a stronger emphasis on achievement planning discussions between supervisor and employees.
Value a job well done and, through corporate example, encourage all employees to regularly give recognition where it is due.	▸ A high percentage employee satisfaction that employees are being recognized.		▸ 68.5 per cent of employees indicated they had received some form of recognition for good work in the past year. Employee recognition continues to be an integral part of our goal to create a highly constructive corporate culture. Developing effective recognition strategies will continue to be a focus for 2005 and beyond.
	▸ Top quartile pay for top quartile performance.	✓	▸ Goal amended. The City solidified its compensation philosophy in 2004. Annual base salaries are competitive with and aligned,, to the appropriate external market using market median as the benchmark.



City of Medicine Hat staff (L to R) Jody Feil, Jody Lamb, Mona Girling, Terry Drabble, and Harold Berry, along with several other City employees, participated in the Canadian Cancer Society's Relay

Strategy	Goal	Done	Comments
Employees have current information about the corporation, its mission, its plans, and its policies.	▸ Increase employee awareness about the corporation's mission, plans, and policies.	✓	▸ Strategies such as the new Communications Analyst, increased use of the Intranet, and a continued emphasis on communication through the organization contribute to increased awareness.
A safe and secure workplace is paramount to its ability to realize its mission.	▸ Percentage of days employees are on WCB is below the provincial industry average.		▸ The number of lost time claims per $1 million of insurable earnings has reduced by 34 per cent since 2001 to 1.07 from 1.62. The City must continue to reduce the number lost time occurences to reach the industry average of .84 within the Province.
	▸ Increase in modified workdays.	✓	▸ Through on-going proactive disability management practices, modified work hours increased by 74.2 per cent in 2004 from 11,680 in 2003 to 20,350 in 2004. This correlates with the fewer hours lost to sick and WCB in 2004.
	▸ Decrease in lost-time days.	✓	▸ The total hours lost to sick leave in 2004 reduced by six per cent from 43,871 to 41,295 hours. Total cost of sick, family sick, and short-term disability reduced by one per cent in 2004.
Executive staff have more time to focus on the "what" and General Managers to focus on the "how."	▸ Ensure appropriate staffing levels are in place at the Executive level.		▸ New division commissioner to be hired in 2005. Succession Plan to be developed in 2005.

Photo Left: The City of Medicine Hat has extensive Training and Development programs for staff. Courtesy Jody Lamb
Photo Middle: Ron Davis, Health and Safety Superintendent (middle), receives kudos for injury reduction on behalf of the City.
Photo Right: Staffers Angela Kavanaugh and Darla Grasley volunteer for the Santa Claus Fund. Courtesy Jody Lamb



City Council as of Nov. 1, 2004.

(L to R) Back Row: Alderman Harv Speers, Alderman John Hamill, Mayor Garth Vallely, Alderman Graham Kelly, Alderman Bill Cocks. Front Row: Alderman Julie Friesen, Alderman Darren Hirsch, Alderman Robert Dumanowski, Alderman Cathy Smith.

Corporate Governance

City Council

City Council Oct. 29, 2001- Oct. 31, 2004.

(L to R) Back Row: Alderman Julie Friesen, Mayor Garth Vallely, Alderman Cathy Smith. Middle Row: Alderman John Hamill, Alderman Harv Speers, Alderman Bill Cocks, Alderman Wayne Craven. Front Row: Alderman Robert Dumanowski, Alderman Duane Roset

City Council consists of a Mayor and eight Aldermen. Council is responsible for developing and evaluating the policies and programs of the municipality, and delegating the responsibility for carrying out those policies to Administration. The public is encouraged to attend regular Council meetings, which are held on the first and third Mondays of each month at City Hall.

The Board of Commissioners is a committee of Council that recommends policies and programs requested by Council or considered advisable by the Chief Administrative Officer. The Executive Team provides the Mayor and senior management with a forum to discuss and consider Administrative matters, review items requiring Council approval, and seek consensus on items impacting the Corporation.

Executive Team - Board of Commissioners

Seated (L to R): Mayor Garth Vallely and Gerry Labas, Chief Administrative Officer and Commissioner of Utilities Services.
Standing (L to R): Ray Gilmour, Commissioner of Corporate Services; Robert (Bob) E. Wanner, Commissioner of Public Services; Larry Godin, City Clerk; John Hughes, City Solicitor.

Water crafts on the scenic South Saskatchewan River.
Courtesy MedicineHatDirectory.com

Standing Committees of Council

October 2001 - October 2004

Corporate Services Committee
Alderman Bill Cocks, Chairman

Public Services Committee
Alderman Julie Friesen, Chairman

Utilities Services Committee
Alderman Wayne Craven, Chairman

Administrative and Legislative Review Committee
Alderman Robert Dumanowski, Chairman

As of Nov 1, 2004

Corporate Services Committee
Alderman Graham Kelly, Chairman

Public Services Committee
Alderman Julie Friesen, Chairman

Utilities Services Committee
Alderman Robert Dumanowski, Chairman

Administrative and Legislative Review Committee
Alderman Cathy Smith, Chairman

Advisory Boards and Commissions

Urban Environment and Recreation Advisory Board
Municipal Planning Commission
Subdivision and Development Appeal Board
Police Commission
Cultural Development Advisory Board
Social Development Advisory Board
Assessment Review Board
City Centre Development Agency

Other Organizations With Council Representations

Medicine Hat Exhibition and Stampede
Medicine Hat Regional Social Housing Agency
Cypress View Foundation
Shortgrass Library System
Tourism Medicine Hat Committee
Medicine Hat Public Library
Medicine Hat Museum and Art Gallery

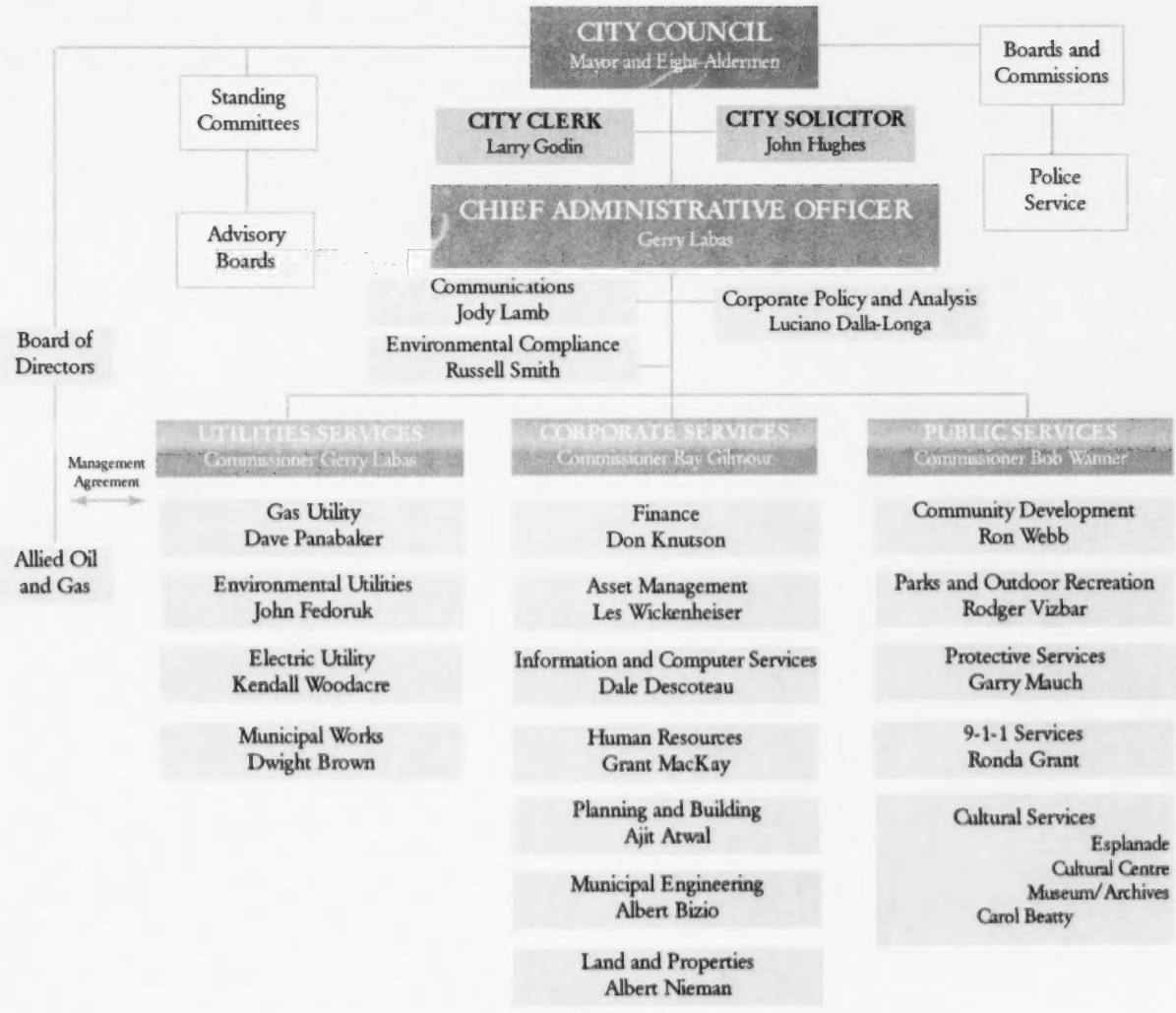
Corporate Governance

Photo Left: Riding a Transit bus. Courtesy Jim Flemming

Photo Middle: Historic Duggan House Courtesy Cleer Concepts and Design

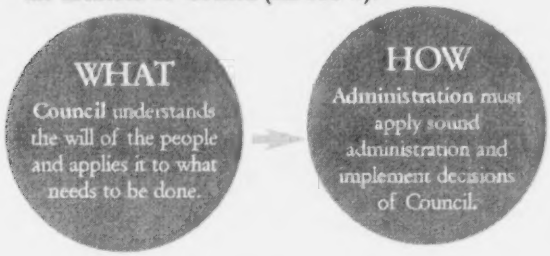
Photo Right: Rescuer Jordon Olson of Strathmore (middle) is backed up by 1st Class firefighter Jeff Kozakewhich (left). Courtesy Medicine Hat News

Organizational Structure

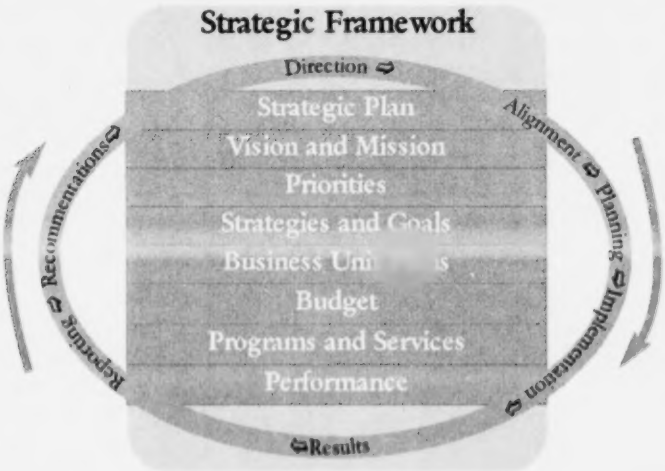


Strategic Planning

The City of Medicine Hat uses a Systems Thinking approach to strategic planning. The organization focuses on "where we want to go and how we are going to get there." Council devotes more time on developing and evaluating the policies of the municipality (the WHAT), and where appropriate, less time on allocating resources and business processes. By stating "what" we want to be, Council provides Administration with a framework to implement the decisions of Council (the HOW).


WHAT
Council understands the will of the people and applies it to what needs to be done.
HOW
Administration must apply sound administration and implement decisions of Council.

The City of Medicine Hat Strategic Plan supports the City's vision, mission, and direction by outlining corporate priorities, strategies, goals, and performance measures over the planning period. The Strategic Plan guides the individual business units in the organization to develop strategies, goals, and performance measures that are consistent with the corporate direction. The Strategic Plan also helps the organization in the preparation of the annual budget. The Strategic Plan is monitored and updated on a yearly basis by Council and Senior Management. It is expected that Business Plans and department budgets will be updated annually to form the basis for the City budget. Throughout the year, monthly reports are produced that report on the progress of this planning cycle. In addition, the City produces an Annual Report which reports on the outcomes of the planning cycle.

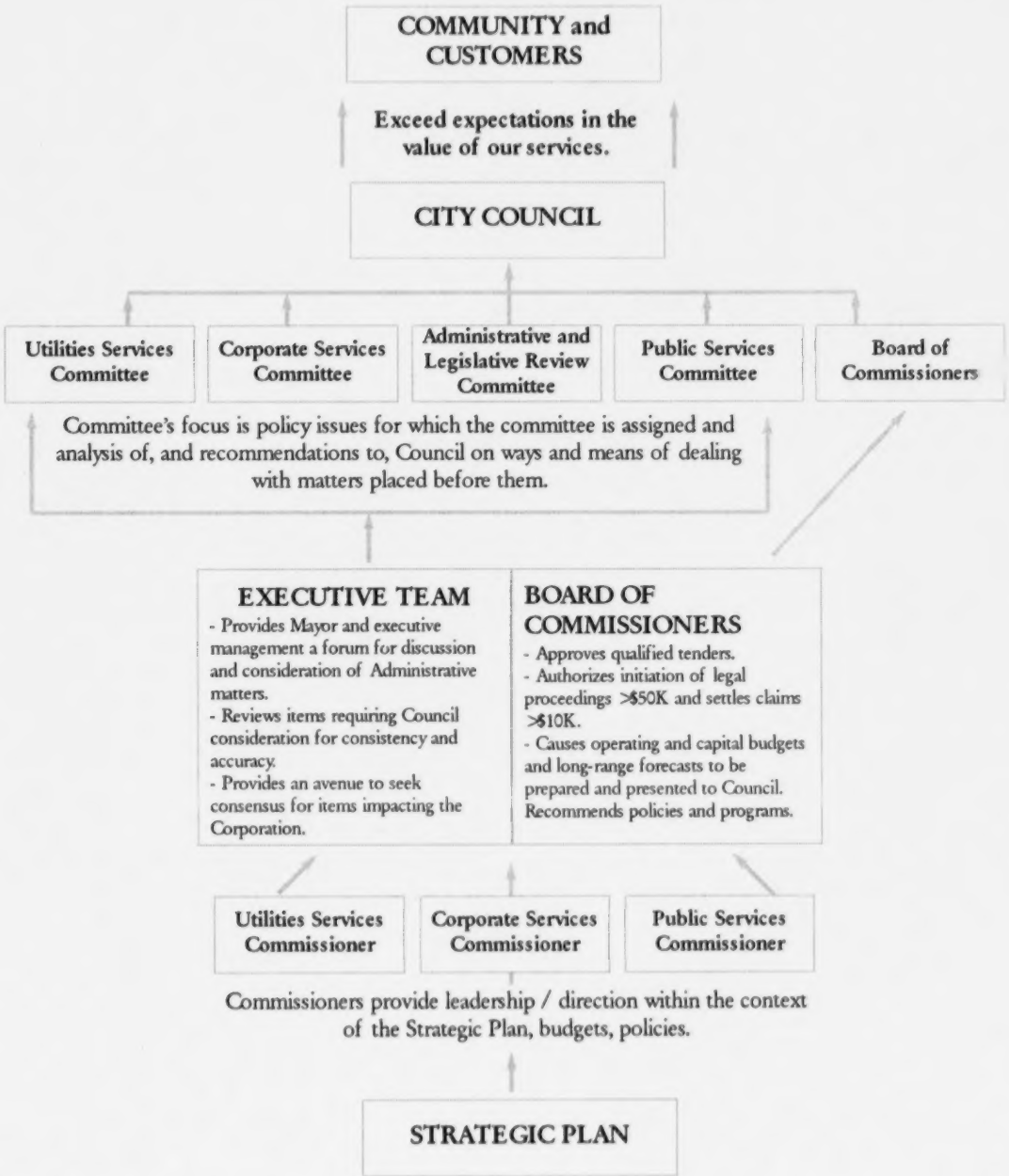


Our strategic planning process ensures that:

- Strategies and goals are aligned with community and Council needs;
- An accountability framework exists to monitor and report to the community on progress in achieving the strategies and goals of the Strategic Plan;
- Clear linkages exist from the Strategic Plan to all other Business Plans, budgets, and policies, and day to day operations;
- Roles and responsibilities are clear and understood;
- A culture of learning and improvements is embraced.

Central Park
Courtesy MedicineHatDirectory.com

Strategic and Service Delivery Framework


COMMUNITY and CUSTOMERS
Exceed expectations in the value of our services.
CITY COUNCIL
Utilities Services Committee
Corporate Services Committee
Administrative and Legislative Review Committee
Public Services Committee
Board of Commissioners
Committee's focus is policy issues for which the committee is assigned and analysis of, and recommendations to, Council on ways and means of dealing with matters placed before them.
EXECUTIVE TEAM
- Provides Mayor and executive management a forum for discussion and consideration of Administrative matters.
- Reviews items requiring Council consideration for consistency and accuracy.
- Provides an avenue to seek consensus for items impacting the Corporation.
BOARD OF COMMISSIONERS
- Approves qualified tenders.
- Authorizes initiation of legal proceedings >$50K and settles claims >$10K.
- Causes operating and capital budgets and long-range forecasts to be prepared and presented to Council. Recommends policies and programs.
Utilities Services Commissioner
Corporate Services Commissioner
Public Services Commissioner
Commissioners provide leadership / direction within the context of the Strategic Plan, budgets, policies.
STRATEGIC PLAN

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Treasurer's Report

FOR THE YEAR ENDING DECEMBER 31, 2004

INTRODUCTION

I am pleased to submit our 2004 Consolidated Financial Statements for the fiscal year ended December 31, 2004. KPMG LLP has audited these statements and provided an unqualified audit opinion.

The City is responsible for both the accuracy of the data and, the completeness, and fairness of the presentation, including all disclosures. This report provides users with an overview of the City of Medicine Hat's financial performance.

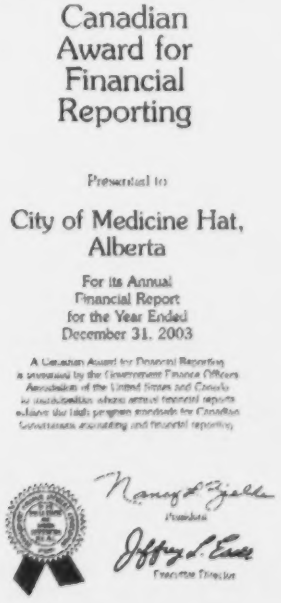
The purpose of the Annual Report is to present the users and readers with a clear insight of the financial results for our fiscal year end ended December 31, 2004. We strive to ensure that this report presents fairly the financial position of the City of Medicine Hat. The report compares how financial resources were used against budgets and past financial performance. The report is divided into six sections:

- Introduction - Provides an overview of the Treasurer's Report.
- GFOA Award for Financial Reporting.
- Risk Management - Discussion of Risks and Risk Management Strategies.
- Management Reporting and Control - Provides and explanation of the planning, budgeting, accounting, auditing and reporting process.
- Financial Review - Presents a discussion and analysis of the City of Medicine Hat financial activities and position for the fiscal year ended December 31, 2004. It is supplementary information to the financial statements and, therefore, should be read in conjunction with the consolidated financial statements, accompanying notes and supporting schedules.
- Financial Statements - Presents the consolidated financial statements, supporting statements, notes and schedules and the independent external auditor's report. These statements and schedules contain comparative results for two prior years, current year results and the approved budget for the operating, capital and reserve funds.
- Statistics - Presents a variety of statistical and financial information on a multi-year comparative basis.

GFOA AWARD FOR FINANCIAL REPORTING

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2003. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report with contents that conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.



RISK MANAGEMENT

This section of the report deals with the City's exposure to risk and uncertainty to enable the reader to make informed judgements about the implications of these risks on the City's financial position and changes in financial position.

(a) Operational Risk Management

The City's operations are insured under a purchased insurance program, as well as a self-funded component for any losses below the deductible level of the purchased policy.

(b) Public Safety

Medicine Hat Police Services have kept pace with the growth in the community and the demand for services from residents. This has been accomplished through the addition of eight new police officers, implementation of technology and equipment to more effectively utilize resources while maintaining officer and public safety, as well as continued training and development of the Police Services' personnel to maintain a sufficient level of expertise to enhance organizational strength. Funding to Police Services has continued to increase to ensure that the needs of the public are met.

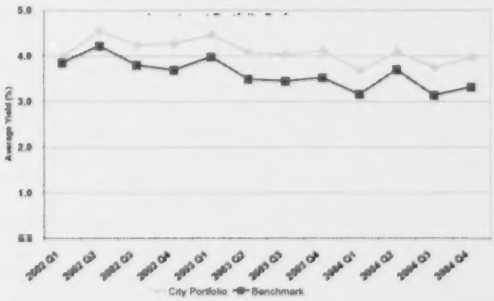
The goal of the Fire Department is to provide quality protection to the community through the delivery of fire, rescue, community safety and educational programs and to rapidly respond to emergencies. The aim is to maintain a level of service that meets the industry standard of responding to fire incidents within defined target zones in six minutes 90% of the time. The Department continues to monitor City growth patterns and recommend changes or improvements that will provide a balanced measure of protection to new areas. In response to the growth of the City, 2004 saw the opening of a third fire station in the southwest sector.

The City operates a 9-1-1 Communication Centre to provide a complete and comprehensive quality call-answer and dispatch public service to the residents of Medicine Hat and area. 9-1-1 is the single point of contact for residents reporting emergent and non-emergent situations, and is considered to be the first responders to all emergencies in their area of responsibility. 9-1-1 serves a regional population of approximately 80,000 with immediate contact capability for language interpreters, poison control, disaster service, chemical spill information and call trace.

(c) Treasury Management

Investment of City funds is directed by an Investment Policy. The goal of this policy is to ensure that the investment of City funds is made in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City, while conforming to all provincial statutes and regulations governing the investment of municipal funds. Investments are limited to instruments in which the principal is unconditionally guaranteed. Investment performance is benchmarked against the Scotia McLeod Universe Bond Index with an overall objective of sustaining a yield that exceeds 80% of the index. The performance of the investments are reported monthly by the Treasury Committee to the Corporate Services Commissioner.

Investment Portfolio Performance



In addition, internal control procedures are designed to ensure that the daily handling of cash is managed in a secure methodology.

(d) Environmental

The Environment Compliance Department

serves as the focal point on matters relating to environmental stewardship and compliance. It supports operating departments in maintaining appropriate levels of environmental due diligence, by providing assistance in interpreting and complying with evolving and emerging environmental regulatory requirements and industry standards. One of the goals is to keep Council informed of the City's progress in striving for continual improvement in managements systems that focus on both compliance and proactive excellence in matters of environmental stewardship. The department also maintains a special focus on issues relating to sound management of the South Saskatchewan River watershed. Another goal is to support Council's environmental stewardship priority by ensuring that the City is in compliance with relevant laws, regulations and approvals, by informing key stakeholders within the municipality of current and emerging environmental issues that could impact upon the quality of life in Medicine Hat, and by striving to encourage a corporate culture that considers environmental protection during our normal course of business.

MANAGEMENT REPORTING AND CONTROL

The following section deals with the planning, reporting and audit process.

(a) Strategic Planning and Budgeting

City Council develops a Strategic Plan highlighting priorities, strategies and goals for the planning period. Based on the direction set out by the Strategic Plan, three-year Departmental Business Plans are prepared. These Business Plans communicate each department's alignment with the Strategic Plan and identify:

- The core activities of the department and the aim of each activity.
- Departmental customers.
- Opportunities, trends and challenges faced by the department.
- Goals and objectives to be achieved by the department.
- Capital profile and assumptions.

Budget guidelines and high level financial projections are developed. Based on these guidelines and Departmental Business Plans, departments develop their budget requests. Effective for the 2004 - 2005 planning period the City adopted a multi-year budget process, where operating and capital budgets have been approved for a two-year period. Effective for the next budget cycle (2006 to 2008) City Council has approved the adoption of a three-year operating and capital budget with a two-year projection.

The Board of Commissioners reviews departmental budgets and, when satisfied that budgets are aligned with the Business Plans, the budget recommendation is presented for Council approval.

Medicine Hat's Operating Budget lays out the revenues and expenditures for the planning periods that will be required to deliver City services.

This is achieved through the Capital Improvement Plan. A three-year Capital Improvement Plan is developed for Municipal Government operations, while the Utilities prepare a five-year plan. The Capital Improvement Plans identify proposed capital project expenditures and their sources of financing.

Effective for the 2006-2008 budget period, the City has adopted a capital ranking process for the Tax Supported departments. This process is intended to ensure that capital funding is allocated to the projects that will provide the highest value to the municipality.

(b) Accounting

The City of Medicine Hat is organized in three divisions, Corporate Services, Public Services and Utility Services. Each division is responsible for managing the delivery of services in accordance with the resources allocated. All divisions share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Commissioner of Corporate Services and delivered to each division based on their requirements.

(c) Auditing

The Municipal Government Act requires municipal Councils to appoint an independent auditor. In 2003, Medicine Hat City Council appointed KPMG LLP, as the external auditor for a five-year term.

The role of the external auditor is to present an independent opinion on the fair presentation of the City's financial position and operating results as contained in the Financial Report, and to confirm that the financial statements are free from any material misstatements. The auditor is responsible for advising management and the Audit Committee of any control or operational matters that may have been identified during the audit procedure.

The Audit Committee, comprised of three members of City Council, is a Committee of Council. The Audit Committee is responsible for recommending the appointment of the independent auditor, reviewing the terms of the engagement and overseeing management's responsibilities for financial reporting. The Audit Committee meets with management and the independent auditors to approve the scope and timing of the audit, to review the Auditor's findings and to assure that management is carrying out its responsibilities.

(d) Annual Report

The Annual Report contains the audited financial statements consistent with principles and standards for financial reporting established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as required by the Alberta Municipal Government Act. In addition, it serves as an opportunity to communicate with taxpayers and other members of the public regarding the City's financial performance and significant financial events in 2004

Financial statements in the public sector serve as a central feature of reporting and assessing the management of public financial affairs. They report the municipality's actual financial activities, in comparison to planned activities and the resulting financial condition of the municipality. They are only one factor in determining the financial condition of a government and do not replace a variety of other reports that are prepared. The financial statements serve as a means by which a municipality provides a report of its administration of public funds and present information that is useful in evaluating the municipality's financial condition at the end of a year and its financial performance through the year.

The information in this Annual Report is the responsibility of Management. KPMG LLP, the City's independent auditors, have audited the accompanying statements and their report accompanies the financial statements.

Council carries out its responsibility for the Consolidated Financial Statements through the Audit Committee.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

(a) Overview

Overall, the financial results for 2004 are favourable as compared to budget and prior years.

- Total Assets increased $103.7 Million from $1,012.9 Million in 2003 to $1,116.6 Million in 2004. This increase is the result of an increase of $42.8 Million in investments primarily related to gas sales and an increase of $53 Million in Capital Assets over 2003.
- Total Liabilities increased $18.6 Million over 2003, $9 Million of this increase is the result of an increase in Asset Retirement Obligations for the Gas Utility.
- Net Consolidated Revenues are $38.1 Million compared to a budgeted amount of $9.6

Million. Gas sales were $28.8 Million over budget due to increased sales prices and sales volumes

- The City of Medicine Hat's investment return for the year ended December 31, 2004 averaged 3.96% outperforming the Scotia McLeod benchmark index of 3.30%. The City's average portfolio return has outperformed the stated benchmark in 16 of the last 16 quarters.
- During 2004, the City borrowed $13.8 Million. $4.9 Million of this increase relates to Tax Supported expenditures. Principal in the amount of $11.8 Million was repaid. Of this repayment, $2.8 Million relates to Tax Supported debentures while the balance relates to Utilities. The net increase in long term debt is $2.0 Million.
- Tax Supported debt per capita increased from $492 thousand to $534 thousand, Utilities supported debt per capital decreased from $2.557 Million to $2.553 Million.

(b) Statement of Consolidated Financial Position

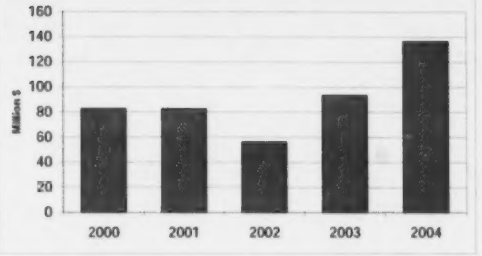
The Statement of Consolidated Financial Position reports the financial and capital assets of the City. The difference between the financial assets and total liabilities are the Net Financial Assets if positive and Net Debt if negative. This figure provides the reader with an indicator of financial flexibility and of the City's future revenue requirements to finance activities and meet financial commitments.

The non-financial assets of the City are assets that are, by nature, normally for use in service provision and include purchased, constructed or developed capital assets as well as inventories of supplies and prepaid expenses.

In 2004 the Net Debt position decreased from $57.8 Million to $26.8 Million. This decrease is the result of favourable earnings in the Gas Utility and Land and Subdivision Development.

Investments increased by $42.9 Million primarily as a result of earnings from Gas Utility Operations.

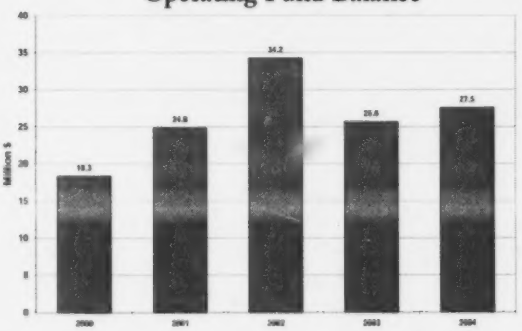
Investment Portfolio



Long-Term Liabilities increased $9.7 Million as a result of Asset Retirement Obligations in the Gas Utility. The total liability, for the Gas Asset Retirement Obligations at the end of 2004 is $32.5 Million. This legal obligation is related to liabilities associated with the future retirement of tangible long-lived petroleum and natural gas assets resulting from the acquisition, construction, development and normal use of petroleum and natural gas assets.

Operating Fund balances increased from $25.6 Million to $27.5 Million.

Consolidated Year-end Operating Fund Balance



The Capital fund increased from $8.2 Million to $24.4 Million primarily as the result of funding set aside for completion of various Gas Utility capital projects. If the projects intended for completion by December 31, 2004 would have been completed these projects would have been funded from the Capital Fund and increased debt issues. Completion of these projects would have decreased cash and therefore the Net Debt Position would have increased.

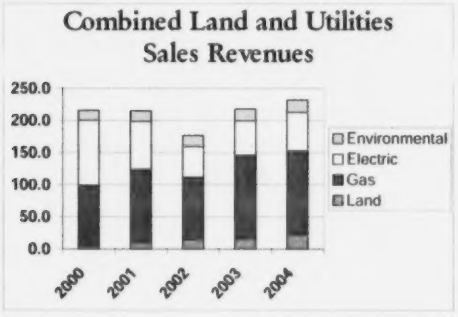
Reserve Fund balances have grown from $77.7 Million to $99.8 Million. Transfers to reserves increased by $74.9 Million compared to a budget of $58.8 Million. Expenditures funded by reserves totaled $52.7 Million. Gas Utility capital projects and funding for the Esplanade were the major uses of reserves. The notable increase in transfers to reserves relates to the Gas Depletion Reserve which increased by $25.0 Million.

(c) Consolidated Statement of Financial Activities

The Consolidated Statement of Financial Activities reports the extent to which revenues raised in 2004 were sufficient to meet expenditures. It shows whether the City has met its expenditures with revenues, by incurring liabilities or by drawing on existing financial assets.

The excess of revenue over expenditures was $38.1 Million compared to a budget of $9.6 Million.

Of the total consolidated operating revenue of $300 Million, 69% was derived from the sale of good and services by the Utilities and Land and Subdivision Development. Much of the revenue generated by Gas operations is achieved through sales of natural gas to external markets. Net municipal taxes provided $27.1 Million.



The Change in Fund Balance on the Consolidated Statement of Financial Activities represents the total change in all fund balances for the City of Medicine Hat. During 2004, the consolidated fund balances increased by $40.1 Million. Only $2.0 Million of this increase relates to increased debt, the balance was raised primarily through sales of natural gas and land for residential, commercial and industrial development.

(d) Consolidated Statement of Changes in Financial Position

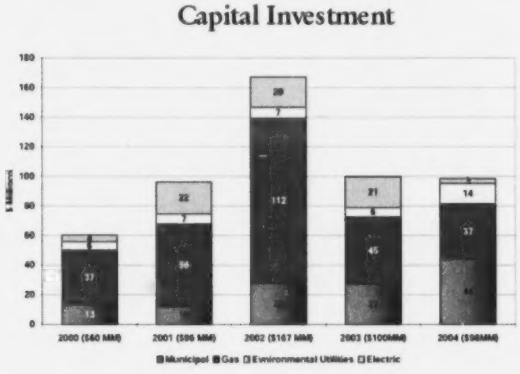
The Consolidated Statement of Changes in Financial Position provides a summary of the sources, allocation and consumption of the resources administered by the City in the period. The statement combines operating, capital and reserve fund changes. This information is useful in gaining an understanding of and assessing the City's resource requirements. The statement informs users about the extent to which resources will be required from future revenues to pay for programs and activities of the period.

The amount of cash flows arising from operating activities is a key measure of the extent to which the operations of the government have generated sufficient cash flows to maintain the programs and services of the government, invest in new capital assets, repay loans and make new investments without relying on external debt.

During 2004, the City of Medicine Hat's net cash from operations was $36.7 Million and was used in investing activities. The main application of cash was to acquire investments of $42.9 Million.

(e) Consolidated Capital Fund Schedule 1

The Consolidated Capital Fund Schedule provides information on the investment in capital assets during the year and how this investment was financed.



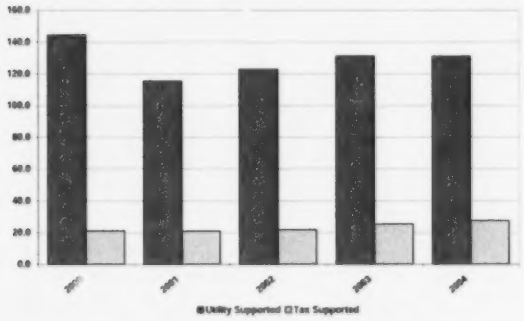
Capital investment during 2004 totaled $98.4 Million. The majority of the funds were spent for municipal assets, $43.8 Million, with the most notable expenditure being $18.4 Million for construction costs associated with the Esplanade.

The Gas Utility spent $37.3 Million to acquire and develop property to ensure an ongoing supply of gas. $10.6 Million was spent by Environmental Utilities with the majority of the costs directed to the construction of the Southlands Sanitary Sewer Trunk Line ($6.0 Million).

Major sources of capital investment financing in 2004 were:

Debenture issues:	$13.8 Million
Transfers from Reserves:	$52.7 Million
Transfers from Operating:	$29.8 Million
Government Grants:	$ 9.4 Million
Donations:	$ 2.0 Million

Long-Term Debt



Over the next few years, City Council's priorities regarding sustainable utilities and sound infrastructure will require continued investment. The 2004 - 2006 Capital Improvement Plan calls for several major expenditures. In particular, the sustainability of the Gas Utility depends upon substantial reinvestments. Over $38.4 Million is to be invested during 2005 with a projected investment of over $100.0 Million in the following three years, to add to and improve production facilities. To meet the demand for residential, commercial and industrial development $42.3 Million is to be invested in the development of land for resale. On the Municipal side, $58.5 Million is projected to be spent over the next two years. Highlights of these expenditures are; Fleet purchases - $8.8 Million, Road Upgrades - $9.8 Million, Storm Water Systems - $1.6 Million, Airport Enhancements - $3.0 Million, Urban Parks rehabilitation - $2.5 Million and completion of the Esplanade - $14.0 Million.

During 2004, the Consolidated Capital Fund Balance increased by $16.1M. This change relates primarily to an increase in the Gas Capital Fund balance of $18.9 Million. This represents amounts set aside to complete various capital projects. At the conclusion of a year, funding for incomplete capital projects funded through operations or reserves is maintained in the capital fund to cover these costs.

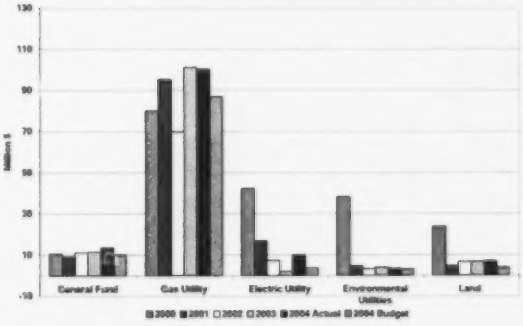
(f) Consolidated Operating Fund Schedule 2

The Consolidated Operating Fund Schedule reports operating revenues for the year segregated by significant types of revenue and also reports on the expenses of the year for Tax Supported, Utilities and Land and Subdivision Development operations.

Operating activities resulted in excess revenues over expenditures totaling $118.3 Million in 2004. This was the net result of revenues totaling $282.0 Million (budget comparative was $240.1 Million) offset by expenditures totaling $163.7 Million (budget comparative was $156.7 Million). It is important to note that after a Transfer to the Capital Fund totaling $41.6 Million and to the Reserve Fund totaling $74.9 Million, the resulting change to the Consolidated Operating Fund balance was an increase of $1.8 Million. As a result, the closing Operating Fund balance or "consolidated surplus" increased from $25.6 Million in 2003 to $27.4 Million in 2004.

(i) Revenues

Net Revenue from Operations
(Before Capital and Interfund Transfers)



The Gas Utility earned a total of $129.8 Million against a budget of $100.9 Million. Gas Production average sales price was $5.07 per GJ compared to a budget of $4.56, an increase of 11%. These increased sales prices compared with an increase in consumption of 1.2 BCF (4.1%) resulted in a favourable

revenue variance of $28.9. Million. $66.6 Million has been transferred to the Depletion Reserve to finance the future acquisitions and development of natural gas properties required to ensure an ongoing supply of natural gas to the residents of Medicine Hat.

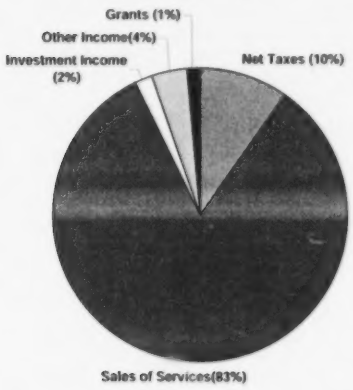
The Electric Utility earned $58.3 Million, against a budget of $55.1 Million.

Environmental Utilities considered as a whole, reported sales revenues of $18.4 Million against a budget of $18.3 Million.

Land and Subdivision Development reported $22.0 Million in sales revenues, or 43% higher than budgeted, as a result of increased demand for residential and commercial lots sales. Residential sales were $3.4 Million over budget, with Commercial and Industrial sales reporting favourable variances of $2.2 Million and $1.0 Million respectively.

Tax supported operations reported a surplus of $1.8 Million.

2004 Consolidated Operating Fund Revenue



Prudent operations of the City's Utilities have allowed the City to maintain attractive rates for its customers. At the same time, the City has been able to direct dividends from the Utilities to offset annual requirements for property taxes. During 2004, City Council approved a plan to have each Utility generate sufficient revenue to cover their cost by 2008. This plan will ensure equity will not erode after 2008.

(ii) Expenditures

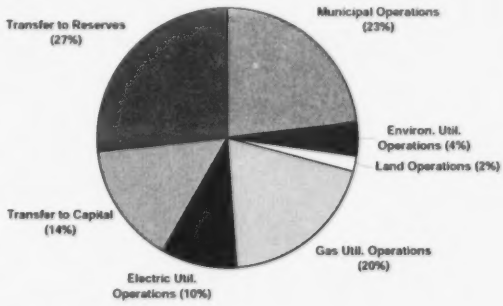
Expenditures for Tax Supported operations increased by $5.5 Million over 2003. This increase relates to increased costs related to expanded Fire Protection, increased staff to meet the demands of the growth in the community as well as growth in customer expectations. In addition operating costs associated with The Esplanade and South Ridge Recreation and Wellness Centre increased insurance costs, increased Police protection and inflationary factors

Expenditures in the Gas Utility exceeded the budget by $14.0 Million. The increase relates to increased royalties as a direct result of increased natural gas sales, increased costs in operations and administration due to joint venture operations, increased water handling cost and increased cost of purchased gas related to the increase in sales.

Electric Utility operating expenses were over budget 2% as the result of increased natural gas fuel prices, which were offset to some degree by reduced administrative expenses.

Environmental Utilities report expenses of $17.5 Million against a budget of $18.2 Million.

Use of Operating Funds ($280 Million)



In addition to the $163.7 Million spent in total on all operations in 2004 another $41.5 Million and $74.9 Million were transferred to the capital and reserve funds respectively, for a total of $280.1 Million in expenditures and transfers.

The change in operating fund balance on the schedule represents the amount allocated to the operating fund after transfers to capital and reserves.

Tax Supported Policy directs that special one-time grants and any surplus in the Tax Supported Operating Fund not required to maintain the Operating Fund target balance of 7% of the prior year budgeted gross expenditures be transferred to the Infrastructure Reserve.

The Gas and Electric Utilities also follow the policy of maintaining an operating fund of 7% of the prior year budgeted gross expenditures before transferring operating surplus to reserves. As a result of this policy, the Tax Supported Operating Fund increased $0.1 Million and the Gas Operating Fund decreased $0.2 Million.

December 31, 2004 marked the end of the City of Medicine Hat's first year in a multi-year budget cycle (for the years 2004 and 2005). For Tax supported operations, departments are expected to operate within their approved 24-month budget. If there is a shortfall in the first year, departments are expected to overcome the deficit during the second year. Likewise, any surpluses experienced in the first year will be carried forward to the second year. Use of this surplus is restricted to approved programs and cannot result in increased operating expenditures in subsequent years. Surpluses that related to corporate operations are transferred to the Infrastructure Reserve at the end of each year after ensuring that the target balance for the Operating Fund is maintained. In 2004, the corporate variance was $0.8 Million and Tax Supported departmental variances totaled $1.0 Million.

(g) Consolidated Reserve Fund Schedule 3

This Consolidated Reserve Fund Schedule reports the net changes to the reserve fund and the source of increases or decreases to this fund. Reserves are the result of appropriations of surplus and budgeted transfers from operating funds. Reserves are established at the discretion of Council and are set aside to fund future operating and capital expenditures.

There are four major reserves, the Gas Depletion Reserve which is intended for future natural gas reserve replacements, the Electric Facility and Equipment Reserve which is to provide funding for replacement of depreciated assets and investment in new Electric Utility assets, the Fleet Replacement Reserve and the Infrastructure Reserve. These reserves are used to fund future municipal infrastructure improvements and fleet purchases, thereby reducing debenture-borrowing requirements

During 2004, $74.9 Million was transferred from the operating fund to reserves. The Gas Utility budget included a transfer of $53.5 Million to the Gas Depletion Reserve. The actual transfer was $66.6 Million. This increase relates to increases in sales volumes and prices. Tax Supported operations budgeted a transfer of $5.3 Million while the actual transfer was $8.2 Million.

In 2004, a policy was approved that will see all municipal capital expenditures valued at less than $1 Million financed through the Infrastructure Reserve to a maximum of $6 Million annually. The goal is to limit external borrowing for capital projects to those projects costing in excess of $1 Million. In the long term, this policy will have the effect of reducing the amount of municipal debt outstanding.

(h) Consolidated Schedule of Equity Schedule 4

The Consolidated Schedule of Equity reports the changes in equity balances for capital assets. This schedule supports the disclosures in the operating, capital and reserve funds. Overall, equity in capital assets increased by $45.1 Million over 2003.

(i) Consolidated Taxes Levied Schedule 5

The Consolidated Taxes Levied Schedule details total taxes received from all sources and the amount of requisitions collected on behalf of the School Districts, Cypress View Foundation and Business Exchange Levies. Net taxes for 2004 were $27.1 Million as compared to a budget of $26.8 Million.

(j) Consolidated Government Transfers Schedule 6

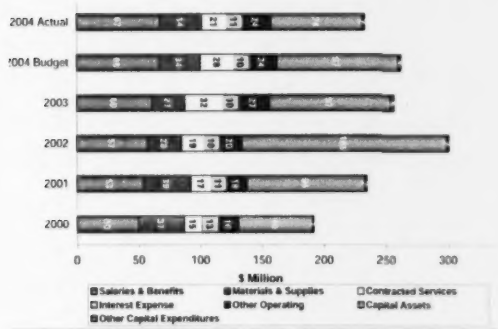
The Consolidated Government Transfers Schedule details the total government transfers received for operating and capital activities and the purpose of these transfers.

In 2004, the City received $13.4 Million in Government Grants. These transfers related to conditional transfers such as the Municipal Assistance Grant $0.9 Million, the Police Enforcement Grant $0.8 Million, Family and Community Support Services Grant $1.0 Million, $2.5 Million for Road and Sidewalk Rehabilitation capital programs, $6.3 Million for the Esplanade, as well as amounts for numerous operating programs.

(k) Consolidated Expenditures by Object Schedule 7

The Consolidated Expenditures by Object Schedule details actual and budgeted expenditures by object.

Use of Operating Funds by Object



Raymond J. Gilmour
MBA, CMA, BSA.
February 25, 2005

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of Management.

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgments of Management. Financial data elsewhere in the report is consistent with that in the financial statements.

Management has developed and maintains an extensive system of internal controls that provide reasonable assurance that all transactions are appropriately authorized, that assets are properly accounted for and safeguarded, that all transactions are accurately recorded and that financial records are reliable for preparation of financial statements. As well, it is the policy of the City to maintain the highest standard of ethics in all its activities.

KPMG LLP, our independent auditors, have been appointed to express a professional opinion on the consolidated financial statements. Their report follows.

City Council, through its Audit Committee, comprised of three aldermen, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and independent auditors to discuss auditing and reporting on financial matters and to assure that management is carrying out its responsibilities. The auditors have full and free access to the Audit Committee and management.

Chief Administrative Officer

Commissioner of Corporate Services

Auditor's Report

To His Worship The Mayor and Members of Council of the City of Medicine Hat

We have audited the consolidated balance sheet of the City of Medicine Hat as at December 31, 2004 and the consolidated statements of revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Medicine Hat as at December 31, 2004 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for the years ended December 31, 2003 and December 31, 2002 were audited by another firm of chartered accountants.

KPMG LLP

Chartered Accountants
Lethbridge, Canada
February 25, 2005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2004
(In thousands of dollars)

	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
ASSETS			
FINANCIAL ASSETS			
Cash and Temporary Investments (Note 3)	$ 5,570	$ 7,716	$ 8,528
Accounts Receivable (Net of Allowances) (Note 4)	33,169	26,636	31,755
Advances to Subsidiary (Note 5)	20,448	21,270	31,009
Inventories for Resale (Note 6)	20,022	17,800	18,545
Investments, Loans and Advances (Note 7)	136,306	93,414	54,358
Deposits and Other Assets (Note 8)	2,308	1,291	1,164
TOTAL FINANCIAL ASSETS	217,823	168,127	145,359
PREPAID EXPENSES (Note 12)	934	615	771
PHYSICAL ASSETS			
Inventories for Consumption	9,275	8,739	8,889
Plant, Property, and Equipment (Note 13)	888,574	835,498	782,160
	897,849	844,237	791,049
	$ 1,116,606	**$ 1,012,979**	**$ 937,179**
LIABILITIES			
Temporary Bank Indebtedness	$ 1,803	$	$ 1,616
Trade Accounts Payable	16,145	11,546	15,158
Accrued Liabilities (Note 14)	29,166	28,558	25,296
Short-Term Debt (Note 15)			9,984
Long-Term Debt - Alberta Capital Finance Authority (Note 16)	157,927	155,947	144,166
Other Long-Term Debt (Note 16,17)	276	302	326
Other Long-Term Liabilities (Note 2,18,25)	39,285	29,604	19,093
TOTAL LIABILITIES	244,602	225,957	215,639
LOSS IN SUBSIDIARY (Note 10)	9,798	9,978	8,092
MUNICIPAL EQUITY			
FUND BALANCES			
Operating Fund (Schedule 2) (Note 1 & 19)	27,451	25,645	34,162
Capital Fund (Schedule 1) (Note 20)	24,377	8,242	13,692
Reserve Fund (Schedule 3) (Note 1 & 21)	99,815	77,669	33,801
TOTAL FUND BALANCES	151,643	111,556	81,655
Equity in Capital Assets (Schedule 5)	710,563	665,488	631,793
TOTAL LIABILITIES AND MUNICIPAL EQUITY	**$ 1,116,606**	**$ 1,012,979**	**$ 937,179**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
REVENUE				
NET TAXES (Schedule 4)	$ 26,823	$ 27,100	$ 23,740	$ 21,605
SALE OF SERVICES				
General Government	5,185	5,632	5,220	5,177
Gas	100,950	129,817	129,178	96,188
Electric	58,163	58,399	53,687	47,778
Water	7,650	7,540	7,493	6,568
Sewer	6,186	6,296	5,642	5,561
Solid Waste	4,482	4,543	5,490	4,576
Land and Subdivision Development	15,348	21,948	16,203	15,050
Medicine Hat Public Library	94	130	109	86
OTHER INCOME				
Investment	4,331	5,496	4,655	5,338
Income (Loss) from Subsidiary (Note 10)	(1,008)	180	(1,886)	(8,365)
Licences, Fines and Penalties	3,688	4,936	3,712	3,570
Insurance Recoveries	63	107	118	100
Developers Levies	1,156	1,932	1,548	1,991
Proceeds from Sale of Assets (Note 13)		1,862	4,851	17
Other	4,759	10,998	5,828	6,637
GOVERNMENT TRANSFERS (Schedule 5)				
Municipal Assistance Grant	875	875	1,237	1,237
Grants - Federal and Provincial	3,802	12,470	7,300	14,677
Debenture Interest Subsidy	85	47	74	98
TOTAL REVENUE	242,632	300,308	274,199	227,889
EXPENDITURES (Schedule 6)				
General Government	73,617	106,469	84,032	82,010
Gas	84,926	92,489	97,032	148,569
Electric	33,858	30,472	51,746	43,220
Water	18,937	6,880	5,657	4,702
Sewer	5,411	14,849	8,338	9,547
Solid Waste	3,344	4,067	3,393	3,065
Land and Subdivision Development	11,195	5,229	4,229	8,555
Medicine Hat Public Library	1,666	1,721	1,627	1,620
TOTAL EXPENDITURES	232,954	262,176	256,054	301,288
NET REVENUES(EXPENDITURES) AND INCREASE (DECREASE) IN NET FINANCIAL ASSETS	**9,678**	**38,132**	18,145	(73,399)
FINANCING				
Debt Issued	19,875	13,782	22,488	18,922
Debt Repayment	(11,556)	(11,827)	(10,732)	(10,708)
Contributed Surplus				1,381
CHANGE IN FUND BALANCE	17,997	40,087	29,901	(63,804)
FUND BALANCES AT BEGINNING OF YEAR	111,556	111,556	81,655	145,459
FUND BALANCES AT END OF THE YEAR	**129,553**	**151,643**	**111,556**	**81,655**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2004

(In thousands of dollars)

	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
CASH PROVIDED BY (USED IN):			
OPERATIONS			
Excess (Deficiency) of Revenue Over Expenditures	$ 38,132	$ 18,145	$ (73,399)
(Income) Loss From Subsidiary	(180)	1,886	(8,365)
Decrease (Increase) in Accounts Receivable	(6,533)	(16,880)	10,219
Decrease (Increase) in Inventory for Resale	(2,222)	745	254
Decrease (Increase) in Deposits & Other Assets	(1,017)	(127)	(27)
Decrease (Increase) in Prepaid Expenses	(319)	156	5,917
Decrease (Increase) in Long Lived Assets	(6,068)	(7,885)	(2,393)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	5,207	(350)	6,170
Increase (Decrease) in Other Long Term Liabilities	9,681	10,511	5,252
NET CASH FROM (USED BY) OPERATIONS	36,681	6,201	(56,372)
INVESTING			
Investment in Subsidiary			(49,718)
Short-Term Debt Issued (Repaid)		(9,984)	(9,825)
Decrease (Increase) in Investments, Loans and Advances	(42,871)	(17,057)	26,020
Decrease (Increase) in Restricted Cash & Temporary Investments	788	1,717	960
Redemption of Shares in Subsidiary (Note 11)			98,442
Decrease (Increase) in Advances to Subsidiary	822	9,738	(19,494)
Decrease (Increase) in Inventories	(536)	150	(593)
NET CASH FROM (USED BY) INVESTING	(41,797)	(15,436)	45,792
FINANCING			
Long-Term Debt Issued	13,782	22,488	18,922
Long-Term Debt Repaid	(11,827)	(10,732)	(10,708)
NET CASH FROM (USED BY) FINANCING	1,955	11,756	8,214
CHANGE IN CASH	(3,161)	2,521	(2,366)
CASH AT BEGINNING OF YEAR	1,631	(890)	1,476
CASH AT END OF YEAR	**$ (1,530)**	**$ 1,631**	**$ (890)**
Cash consists of the following:			
Cash and Temporary Investments	$ 5,570	$ 7,716	$ 8,528
Less: Restricted portion of Cash and Temporary Investments	(5,297)	(6,085)	(7,802)
Temporary Bank Indebtedness	(1,803)		(1,616)
Total	**$ (1,530)**	**$ 1,631**	**$ (890)**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CAPITAL FUND
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
REVENUE				
Government Transfers	$ 623.00	$ 9,384	$ 5,505	$ 12,598
Developers Levies	1,156	1,932	981	1,994
Proceeds from Sale of Assets		1,862	4,851	17
Other	706	5,122	1,334	1,797
TOTAL REVENUE	2,485	18,300	12,671	16,406
EXPENDITURES				
General Government	10,945	43,758	26,742	27,801
Gas	43,808	37,354	45,346	111,550
Electric	6,173	3,422	20,978	20,413
Water	13,770	2,046	1,515	608
Sewer	1,030	10,609	4,426	6,327
Solid Waste	285	1,017	224	324
Land	4	5	139	2
Medicine Hat Public Library	203	231	235	196
TOTAL EXPENDITURES	76,218	98,442	99,605	167,221
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**(73,733)**	**(80,142)**	**(86,934)**	**(150,815)**
NET INTERFUND TRANSFERS				
Reserve Fund	34,479	52,733	37,259	123,628
Operating Fund	30,935	41,589	32,469	27,188
DEBT TRANSFERS				
Debt Issued	19,875	13,782	22,488	18,922
Debt Payments	(11,556)	(11,827)	(10,732)	(10,708)
CHANGE IN CAPITAL FUND		16,135	(5,450)	8,215
CAPITAL FUND AT BEGINNING OF YEAR	8,242	8,242	13,692	5,477
CAPITAL FUND AT END OF YEAR	**$ 8,242**	**$ 24,377**	**$ 8,242**	**$ 13,692**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED OPERATING FUND
SCHEDULE 2
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
REVENUE				
NET TAXES (Schedule 4)	$ 26,823	$ 27,100	$ 23,740	$ 21,605
SALE OF SERVICES				
General Government	5,185	5,632	5,220	5,177
Gas	100,950	129,817	129,178	96,188
Electric	55,158	58,399	53,687	47,778
Water	7,650	7,540	7,493	6,568
Sewer	6,186	6,296	5,642	5,561
Solid Waste	4,482	4,543	5,490	4,576
Land and Subdivision Development	15,348	22,081	16,203	15,050
Medicine Hat Public Library	93	130	109	86
OTHER INCOME				
Investment Income	4,331	5,496	4,655	5,338
Income (Loss) from Subsidiary (Note 10)	(1,008)	180	(1,886)	(8,365)
Licences, Fines and Penalties	3,688	4,804	3,712	3,570
Insurance Recovery	63	107	116	100
Other	7,059	5,876	4,499	4,839
GOVERNMENT TRANSFERS				
Municipal Assistance Grant	875	875	1,237	1,237
Grants - Federal and Provincial	3,179	3,085	2,357	2,076
Debenture Interest Subsidy	85	47	74	98
TOTAL REVENUE	240,147	282,008	261,528	211,482
EXPENDITURES				
General Government	62,672	62,737	57,289	54,210
Gas	41,118	55,135	51,691	37,019
Electric	27,685	27,051	29,458	22,807
Water	5,167	4,833	4,141	4,094
Sewer	4,381	4,241	4,220	3,221
Solid Waste	3,059	3,050	2,903	2,741
Land and Subdivision Development	11,191	5,197	5,355	8,670
Medicine Hat Public Library	1,463	1,490	1,392	1,305
TOTAL EXPENDITURES	156,736	163,734	156,449	134,067
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**83,411**	**118,274**	**105,079**	**77,415**
NET INTERFUND TRANSFERS				
Capital Fund	(30,935)	(41,589)	(32,469)	(27,188)
Reserve Fund	(58,817)	(74,879)	(81,127)	(45,873)
TOTAL NET INTERFUND TRANSFERS	(89,752)	(116,468)	(113,596)	(73,061)
CONTRIBUTED SURPLUS				1,382
CHANGE IN OPERATING FUND	(6,341)	1,806	(8,517)	5,736
OPERATING FUND AT BEGINNING OF YEAR	25,645	25,645	34,162	28,426
OPERATING FUND AT END OF YEAR	**$ 19,304**	**$ 27,451**	**$ 25,645**	**$ 34,162**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED RESERVE FUND
SCHEDULE 3
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
INTERFUND TRANSFERS				
Operating Fund Transfer	$ 58,817	74,879	$ 81,127	$ 45,873
Capital Fund Transfer	(34,479)	(52,733)	(37,259)	(123,628)
CHANGE IN RESERVE FUND	**24,338**	**22,146**	43,868	(77,755)
RESERVE FUND AT BEGINNING OF YEAR	$ 77,669	$ 77,669	$ 33,801	$ 111,556
RESERVE FUND AT END OF YEAR (Note 17)	**$ 102,007**	**$ 99,815**	**$ 77,669**	**$ 33,801**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED SCHEDULE OF EQUITY
SCHEDULE 4
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
ACQUISITION OF CAPITAL ASSETS				
General Government	$ 9,029	$ 41,889	$ 24,346	$ 26,160
Gas	43,588	37,047	44,883	111,303
Electric	2,384	3,422	20,978	20,413
Water	13,770	2,046	1,515	608
Sewer	1,030	10,609	4,426	6,327
Solid Waste	285	467	224	324
Library	203	231		8
Land	4	5	139	
	70,293	95,716	96,511	165,143
DISPOSAL OF CAPITAL ASSETS				
General Government		(2,252)	(6,907)	(4,820)
Gas		(1,967)	(2,551)	(3,572)
Electric			(57)	(1,368)
Water				0
Sewer				
Solid Waste		(18)		(102)
Land			(454)	
Library		(295)	(132)	(14)
		(4,532)	(10,101)	(9,876)
AMORTIZATION OF UTILITIES ASSETS				
Gas	(29,689)	(31,465)	(29,946)	(27,667)
Electric	(9,682)	(9,060)	(7,683)	(6,734)
Water	(1,301)	(1,692)	(1,664)	(1,643)
Sewer	(996)	(1,690)	(1,446)	(1,343)
Solid Waste	(245)	(243)	(220)	(252)
Land	(4)	(4)		
	(41,917)	(44,154)	(40,959)	(37,639)
CAPITAL FINANCING				
Capital Debt Issued	(16,375)	(13,782)	(22,488)	(18,922)
Capital Debt Repaid	11,556	11,827	10,732	10,708
	(4,819)	(1,955)	(11,756)	(8,214)
CHANGE IN EQUITY BALANCE	65,474	45,075	33,695	109,414
EQUITY BALANCE AT BEGINNING OF YEAR	665,488	665,488	631,793	522,379
EQUITY BALANCE AT END OF YEAR	**$ 730,962**	**$ 710,563**	**$ 665,488**	**$ 631,793**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED TAXES LEVIED
SCHEDULE 5
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003	2002
TAXATION				
Real Property Taxes	$ 40,988	$ 41,198	$ 37,132	$ 33,794
Linear Property Taxes	2,825	2,825	2,252	2,668
Government Grants in Lieu of Property Taxes	1,230	1,230	1,258	1,184
Special Assessments and Local Improvements	255	340	394	394
	45,298	45,593	41,036	38,040
REQUISITIONS				
Alberta School Foundation	15,268	15,268	14,267	13,585
Catholic Board Of Education	2,891	2,891	2,714	2,550
Cypress View Foundation	227	234	226	206
Business Exchange Levies	89	100	89	94
	18,475	18,493	17,296	16,435
NET TAXES	**$ 26,823**	**$ 27,100**	**$ 23,740**	**$ 21,605**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED GOVERNMENT TRANSFERS
SCHEDULE 6
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003	2002
FEDERAL TRANSFERS				
Shared-Cost Agreements and Grants	$	1,636	$ 426	$ 1,563
PROVINCIAL TRANSFERS				
Municipal Assistance Grant	875	875	1,237	1,237
Police Enforcement Grant	820	820		
Shared-Cost Agreements and Grants	2,982	10,015	6,873	13,114
Debenture Interest Subsidy	85	46	75	98
	4,762	11,756	8,185	14,449
TOTAL GOVERNMENT TRANSFERS	**$ 4,762**	**13,392**	**$ 8,611**	**$ 16,012**

CONSOLIDATED EXPENDITURES BY OBJECT
SCHEDULE 7
FOR THE YEAR ENDED DECEMBER 31, 2004
(In thousands of dollars)

	2004 BUDGET (UNAUDITED)	2004	2003 (Restated - Note 2)	2002 (Restated Note 2)
EXPENDITURES				
Salaries, Wages and Benefits	$ 66,601	$ 66,057	$ 60,422	$ 56,687
Contracted and General Services	21,669	28,229	27,484	19,387
Materials, Goods and Utilities	34,264	33,665	32,462	27,616
Provisions for Allowances	229	232	195	404
Bank Charges and Short-Term Interest	37	44	75	927
Interest on Long-Term Debt	11,151	10,386	10,110	9,856
Physical Assets Acquired	74,298	95,695	96,512	165,143
Other Operating Expenditures	22,107	24,538	25,480	18,804
Grants and Other Transfers	682	603	221	386
Other Capital Expenditures	1,916	2,727	3,093	2,078
TOTAL EXPENDITURES	**$ 232,954**	**262,176**	**$ 256,054**	**$ 301,288**

The accompanying notes are an integral part of these financial statements.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Medicine Hat (the "City") are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Medicine Hat are as follows:

(A) REPORTING ENTITY

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity. This entity, except for government business enterprises which are accounted for by the modified equity basis of accounting, includes all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to City Council for the administration of their financial affairs and resources. They include the following:

(I) City General - activities associated with the provision of conventional municipal services including General Administrative Services, Protective Services (Fire, Police, Disaster Services and 911 Communications) and Public Services (Municipal Works, Community Development, and Parks and Outdoor Recreation).

(II) Utilities - self supporting activities which provide Electricity, Natural Gas, Water, Sewer and Solid Waste Services. Land and Subdivision Development operations are also treated as a utility for statement purposes.

The City has effective control over the Medicine Hat Public Library and the financial statements of this entity have been consolidated in these financial statements.

The City of Medicine Hat owns the capital assets related to ground ambulance services. Provision of these services is contracted to the Palliser Regional Health Authority. The contract payment for provision of ambulance service is included with Protective Services expenditures. The value of the capital assets is included in the Consolidated Statement of Financial Position at cost.

School administration is completely independent of City Council and is subject to control by the Provincial Government pursuant to the provisions of the *School Act*. The only relationship between the School Boards and the City is that the City is obligated to provide funds raised by taxes deemed necessary by the Province.

The schedule of taxes levied includes operating requisitions for the Alberta School Foundation, Catholic Board of Education, Cypress View Foundation, and amounts collected for the City Centre Development Agency that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. A schedule of these trust assets is included in Note 22.

Interdepartmental and organizational transactions and balances are eliminated.

Allied Oil & Gas Corp., a wholly owned subsidiary of the City, is accounted for using the modified equity basis, consistent with generally accepted accounting principles for government enterprises.

(B) FUND ACCOUNTING

Municipal funds for General, Utilities and Land and Subdivision Development consist of the operating, capital and reserve funds. Proceeds from sales of land are recorded as operating fund revenues.

(C) BASIS OF ACCOUNTING

1. Revenues

   The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues.

   Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

2. Expenditures

   Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1(H).

(D) GOVERNMENT TRANSFERS

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(E) INVESTMENTS

Portfolio investments are comprised of investments in qualifying instruments as defined in the City's Investment Policy #0110. Portfolio investments purchased by the City of Medicine Hat are recorded at the lower of cost or net realizable value. The cost of investments includes the applicable depreciation of premiums and discounts using the present value depreciation method. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Investments in government business enterprises are accounted for using the modified equity basis of accounting. Under this basis, the accounting principles of the government business enterprises are not adjusted to conform to the City's accounting policies and inter-organizational transactions and balances are not eliminated.

(F) INVENTORIES

Inventories of materials and supplies, inventories for resale and gas in storage are valued at the lower of cost or net realizable value with cost determined by the average cost method.

(G) LAND FOR RESALE

Land held for resale is recorded at the lower of cost or net realizable value. The cost of land held for resale includes costs related to land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water, sewer, gas, electric, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

(H) PENSION EXPENDITURE

The City participates in a multi-employer defined benefit pension plan wherein contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due. The plan is accounted for as a defined contribution plan.

(I) CAPITAL ASSETS

1. The City has valued General Fund capital assets purchased prior to December 31, 1978, at the net cost to the City and assets purchased and developed subsequent to that date at full cost.

2. Prior to January 1, 1989, all capital expenditures for major repair and maintenance projects were recorded as increases to capital assets. Since that date, capital expenditures of this nature are expensed in the year the expenditure is incurred. Major repairs and maintenance costs expensed in 2004 - $2,727 (2003 - $3,093).

Capital assets are reported as expenditures in the period they are acquired.

Capital assets are reported at cost except for donated assets, which are recorded at estimated fair market value.

The City follows the full cost method of accounting for its petroleum and natural gas properties, whereby all costs associated with acquisition and development of petroleum and natural gas reserves are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, cost of drilling both productive and non-productive wells, equipment cost and technical consulting costs directly related to development. The City does not capitalize interest or administrative costs.

Proceeds from the disposition of petroleum and natural gas properties are accounted for as adjustments to the net book value of resource properties, with no gain or loss recognized, unless the disposition would significantly alter the rate of depletion.

Government contributions for the acquisition of capital assets are recorded as a revenue source in the Consolidated Statement of Financial Activities and Consolidated Capital Fund - Schedule 1, and do not reduce the related capital assets costs.

Capital assets for municipal purposes are not depreciated.

(J) PREPAID LOCAL IMPROVEMENT CHARGES

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

(K) DEPRECIATION

Capital assets in the Electric Utility, Water Utility, Sewer Utility, Solid Waste Utility, Land, and non-resource plant, property and equipment in the Gas Utility are depreciated on a straight line basis over their estimated useful lives. Depreciation is not charged to operations but Plant, Property and Equipment and Equity in Capital Assets have been reduced to reflect the depreciated balance of Capital Assets. The following rates have been used for this calculation:

Engineering Structures	2.0% to 5.0%
Buildings	2.5% to 3.0%
Machinery, Equipment and Furnishings	5.0% to 10.0%

(L) DEPLETION

Oil and gas properties are depleted following the CICA Accounting Guideline AcG-16 "Oil and Gas Accounting – Full Cost". Capitalized costs are depreciated on the unit-of-production method based on estimated proven reserves as determined by external engineers. For purposes of this calculation, oil is converted to gas on an energy equivalent basis. The cost of unproven properties is excluded from this calculation until proven reserves are established or until impairment occurs.

This guideline requires the cost centres be tested for recoverability using discounted future cash flows from proven reserves which are determined by using forward indexed prices. When the carrying amount of a cost centre is not recoverable, the cost centre would be written down to its fair value. Fair values are estimated using accepted present value techniques which incorporate risks and other uncertainties when determining expected cash flows.

(M) ALLOWANCES

Allowances for financial asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure.

(N) OPERATING FUND

The operating fund represents the amounts available to offset future operational revenue requirements.

(O) CAPITAL FUND

The Capital fund represents amounts available to finance capital projects.

(P) RESERVES FOR FUTURE EXPENDITURES

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from reserves related to capital and operating fund activities are reflected on the Consolidated Schedules for the Capital, Operating and Reserve Funds.

(Q) EQUITY IN CAPITAL ASSETS

Equity in capital assets represents the net investment in total capital assets, after deducting the portion financed through long-term debt.

(R) JOINT VENTURE ACCOUNTING

Some of the City's production activities related to oil and gas are contracted with other companies. These statements reflect only the City's proportionate interest in such activities.

(S) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Amounts recorded for depletion and amounts used for the ceiling test calculations, are based on estimates of oil and natural gas reserves and future costs required to develop those reserves. The City's reserve estimates are reviewed every three years, or upon major acquisition, by independent engineering firms. The last reserve analysis was carried out as of December 31, 2004. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the financial statements of future periods may be material.

(T) OVER-LEVIES AND UNDER-LEVIES

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(U) ASSET RETIREMENT OBLIGATION – PETROLEUM AND NATURAL GAS SITES

The City records the fair value of its petroleum and natural gas asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived petroleum and natural gas assets that result from the acquisition, construction, development, and normal use of petroleum and natural gas assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and depleted and depreciated using the unit of production method over estimated gross proven reserves. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

(V) LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Pursuant to the Alberta Environmental Protection and Enhancement Act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, and landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

NOTE 2: CHANGE IN ACCOUNTING POLICY

(A) ASSET RETIREMENT OBLIGATION

Effective January 1, 2004, the City adopted the CICA handbook standard for accounting for its natural gas and petroleum asset retirement obligation. The new standard requires the City to record the fair value of its natural gas and petroleum asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and normal use of the assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and depleted and depreciated using the unit of production method over estimated gross proved reserves. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

The City has adopted this policy retroactively to 2002 and 2003. The effects of the change in policy for natural gas and petroleum asset retirement obligations are as follows:

	2003	2002
Physical Assets	$ 13,760	$ 5,875
Site Restoration and Abandoment Liability	20,642	18,399
Asset Retirement Obligation	(21,453)	(13,107)
Accumulated Accretion	(2,042)	(908)
Operating Fund	(10,907)	(10,259)
TOTAL	$ -	$ -

(B) FULL COST ACCOUNTING GUIDELINE

Effective January 1, 2004, the City adopted the new CICA Accounting Guideline AcG-16 "Oil and Gas Accounting – Full Cost". The new guideline modifies how the ceiling test is performed and requires cost centres be tested for recoverability using discounted future cash flows from proved reserves which are determined by using forward indexed prices. When the carrying amount of a cost centre is not recoverable, the cost centre would be written down to its fair value. Fair values are estimated using accepted present value techniques which incorporate risks and other uncertainties when determining expected cash flows. There is no impact on the City's reported financial results as a result of applying this Guideline.

(C) EMPLOYEE FUTURE BENEFITS

Effective January 1, 2004, The City also adopted the CICA handbook standard for accounting for future benefits as required under the CICA Public Sector Accounting Standards 3255. This section specifically outlines guidance for accounting for post employment benefits other than pensions. The Standard requires that post employment benefits be accrued as they are earned by the employees. As outlined in Note 25, the City has applied this policy retroactively to 2002 and 2003 and has restated the comparative figures. The cumulative effect for the change in policy for Post-Employment benefits is as follows:

	2003	2002
Increase in Post Retirement Benefit	$ 6	$ 2,315
Operating Surplus		(814)
Infrastructure Reserve	(6)	(1,501)
TOTAL	$ -	$ -

NOTES FOR THE YEAR ENDED DECEMBER 31, 2004

(In Thousands of Dollars)

NOTE 3: CASH AND TEMPORARY INVESTMENTS

	2004	2003
Cash	$ 273	$ 1,630
Temporary Investments	5,297	6,086
TOTAL CASH & TEMPORARY INVESTMENTS	**$ 5,570**	**$ 7,716**

The temporary investments represent a restricted amount for the Alberta Cities Transportation Program, held exclusively for eligible capital transportation projects.

NOTE 4: ACCOUNTS RECEIVABLE

(A) TAXES AND BUSINESS IMPROVEMENTS LEVIES RECEIVABLE

	2004	2003
Current Taxes Receivable	$ 598	$ 512
Arrears Taxes Receivable	170	316
City Centre Development Agency	5	5
Less: Allowance for Tax Adjustments	(122)	(128)
SUB-TOTAL	**$ 651**	**$ 705**

(B) ACCOUNTS RECEIVABLE

	2004	2003
Trade Accounts Receivable	$ 33,254	$ 26,612
Less: Allowance for Doubtful Accounts	(736)	(681)
SUB-TOTAL	**$ 32,518**	**$ 25,931**
TOTAL	**$ 33,169**	**$ 26,636**

NOTE 5: ADVANCES TO SUBSIDIARY

	2004	2003
Unsecured, non-interest bearing advances with no fixed terms of repayment	$ 101	$ (77)
Unsecured note, bearing interest at prime plus 1% due on demand	20,347	21,347
TOTAL	**$ 20,448**	**$ 21,270**

NOTE 6: INVENTORIES FOR RESALE

	2004	2003
Concessions	$ 109	$ 94
Gas in Storage	3,381	2,895
Land and Property	16,532	14,811
TOTAL	$ 20,022	$ 17,800

NOTE 7: INVESTMENTS, LOANS AND ADVANCES

	2004		2003	
	Cost	Market Value	Cost	Market Value
Federal Government & Agencies	$ 16,782	$ 17,452	$ 11,599	$ 12,021
Provincial Government & Agencies	40,367	41,653	46,837	47,704
Canadian Banks	14,041	14,618	7,172	7,675
Others	65,116	65,216	27,806	27,966
TOTAL	$ 136,306	$ 138,939	$ 93,414	$ 95,366

These investments bear interest rates from 2.40% to 8.00% and mature in periods 2005 through 2027. The investments have an average expected yield of 3.96% and an average term of 3.16 years to maturity.

NOTE 8: DEPOSITS AND OTHER ASSETS

	2004	2003
Tax Requisition Over Levies	$ 176	$ 167
Postage	7	2
Refundable Containers	36	44
Operating Deposits	1,328	97
Electric Reels	174	136
Gas Royalty Deposits	587	678
Gas Joint Venture Deposits		167
TOTAL	$ 2,308	$ 1,291

NOTE 9: ACQUISITON OF ALLIED OIL & GAS CORP.

On October 15, 2001, 912212 Alberta Ltd. was incorporated under the Alberta Business Corporations Act. 912212 Alberta Ltd. is a wholly owned subsidiary of the City.

On January 28, 2002, 912212 Alberta Ltd. completed its step acquisition of 100% of the outstanding shares of Allied Oil & Gas Corp. its wholly owned subsidiary, Backer Petroleum Ltd., and their combined 100% interest in the Allied Partnership. Total cash consideration of $58,123 net of $1,364 cash acquired, was determined based on the average market price of Allied Oil & Gas Corp.'s common shares over a one-week period before the terms of the acquisition were announced.

On January 29, 2002, and January 30, 2002, Allied Oil & Gas Corp. disposed of 99% of its interest in Allied Partnership with the City acquiring this interest.

On January 30, 2002, 912212 Alberta Ltd. amalgamated, under the Alberta Business Corporations Act, with Allied Oil & Gas Corp. and Backer Petroleum Ltd. The amalgamated corporation retained the name Allied Oil & Gas Corp. (the "Company").

On February 1, 2002, the Company redeemed a portion of its preferred shares. The redemption was satisfied through the distribution of the remaining 1% interest in Allied Partnership to the City. Effective February 1, 2002, the partnership ceased to exist.

The following table summarized the estimated fair market value (FMV) of the assets acquired and liabilities assumed at each step purchase date.

	74.10% Nov 25/01 FMV	5.08% Dec 7/01 FMV	20.82% Jan 28/02 FMV	100% Total FMV
Cash	$	$ 55	$ 1,309	$ 1,364
Other Assets	4,874	229	1,507	6,610
Resource Properties	93,594	6,387	21,535	121,516
TOTAL ASSETS	**98,468**	**6,671**	**24,351**	**129,490**
Liabilites	35,889	2,387	9,426	47,702
Future Income Tax Liabilities	18,500	1,259	2,542	22,301
TOTAL LIABILITIES	**54,389**	**3,646**	**11,968**	**70,003**
NET ASSETS ACQUIRED	$ 44,079	$ 3,025	$ 12,383	$ 59,487

The following table describes the transaction between the City and the Company:

Company Shares Acquired (Redeemed):	# Shares	Value
Class A Preferred Shares – November 25, 2001	44,079	$ 44,079
Class A Preferred Shares – December 7, 2001	3,025	3,025
	47,104	$ 47,104
Class A Preferred Shares – January 28, 2002	43,744	43,744
Subscription for Additional Class A Share – January 28, 2002	7,600	7,600
Class A Preferred Shares – January 29, 2002	(71,485)	(71,485)
Class A Preferred Shares – January 30, 2002	(25,973)	(25,973)
Class A Preferred Shares – February 1, 2002	(984)	(984)
DECEMBER 31, 2004 BALANCE	6	$ 6

NOTE 10: SUBSIDIARY OPERATIONS

The following table provides condensed supplementary financial information reported separately by Allied Oil & Gas Corp. at December 31.

	2004	2003
Financial Position		
Current Assets	$ 7,144	$ 8,094
Future Income Tax Asset	545	310
Resource Properties	7,391	7,879
Total Assets	**15,080**	**16,283**
Current Liabilities	5,433	5,918
Advances from City of Medicine Hat	20,347	21,347
Asset Retirement Obligation	479	378
Total Liabilities	26,259	27,643
Net Assets (Liabilities)	$ (11,179)	$ (11,360)

Net Liabilities are comprised of a deficit of $9,804, share capital of $6 and deficit on Related Company Transactions of $1,381 (2003 – a deficit of $9,985, share capital of $6 and a deficit on Related Company Transaction of $1,381).

	2004	2003
Results of Operations		
Revenues	$ 4,780	$ 5,124
Operating Expenses	3,319	4,094
Cash Flow from Operations	1,461	1,030
Depletion and Accreation	1,503	1,897
Net Loss before Income Tax	(42)	(867)
Income Tax Recovery (Expense)	222	(1,019)
Net Income (Loss)	180	(1,886)
Beginning Deficit	(9,984)	(8,098)
Share Capital	6	6
Investment (Loss) in Subsidiary	$ (9,798)	$ (9,978)

The operation of this government business enterprise has been accounted for using the modified equity method of accounting. These financial statements include the net earnings of Allied Oil & Gas Corp. since the acquisition date.

NOTE 11: ACQUISITION OF ALLIED PARTNERSHIP

As described in Note 10, on January 29, 2002, January 30, 2002 and February 1, 2002, the City acquired 100% of the Company's interest in Allied Partnership from its wholly owned subsidiary Allied Oil & Gas Corp. The following table summarizes the estimated carrying value of the assets and liabilities acquired:

Assets	
Treasury Bills	$ 7,600
Other Assets	38,521
Resource Properties	93,742
Total Assets	$ 139,863
Liabilities	
Liabilities	$ 13,363
Future Income Tax Liability	28,058
Net Assets Acquired	$ 98,442

As consideration Allied Oil & Gas Corp. redeemed shares in the amount of $98,442 held by the City of Medicine Hat.

NOTE 12: PREPAID EXPENSES

	2004	2003
Prepaid Insurance	$ 803	$ 554
Prepaid Miscellaneous Expenses	131	61
TOTAL	$ 934	$ 615

NOTE 13: PLANT, PROPERTY, AND EQUIPMENT

	2004 Cost	Accumulated Amortization	2004 Book Value	2003 Book Value
Land	$ 14,366	$ -	$ 14,366	$ 14,222
Buildings	128,823	3,735	125,088	100,905
Engineering Structures	555,023	138,552	416,471	396,675
Gas and Oil Properties	558,335	291,964	266,371	259,570
Machinery, Equipment and Furnishings	37,075	9,592	27,483	27,206
Vehicles	38,795		38,795	36,920
TOTAL	$ 1,332,417	$ 443,843	$ 888,574	$ 835,498

During 2004, the City entered into an agreement to exchange assets with a number of companies. The aggregate value of the assets received was $2,234 and the assets transferred were $1,862.

The Electric Utility has classified #9 Combustion Turbine as "Assets Held for Resale" in accordance with section 3175 of the Canadian Institute of Chartered Accountants handbook. This asset was decommissioned and removed from service in 2003. Negotiation with a purchaser has commenced and the sale is highly probable in 2005 for the sale of Unit #9. The initial negotiations reflect that the sales price will be greater than the carrying value of the asset. The carrying value of the asset is:

Gross Asset Cost	$ 12,114
Accumulated Depreciation	11,364
Net Book Value	$ 750

Annual depletion and depreciation amounts reflected in Plant, Property and Equipment and Equity in Capital Assets are as follows:

	2004	2003
Buildings	$ 275	$ 291
Engineering Structures	12,504	8,974
Gas and Oil Properties	30,429	30,856
Machinery, Equipment and Furnishings	942	838
TOTAL AMORTIZATION AND DEPLETION	$ 44,150	$ 40,959

NOTE 14: ACCRUED LIABILITIES

	2004	2003
Accrued Wages and Salaries	$ 2,081	$ 2,490
Vacation Pay	3,033	2,899
Accrued Interest on Long Term Debt	3,506	3,681
Deposits	752	1,121
Deferred Revenue	3,585	2,658
Deferred Charges	3,454	3,464
Accrued Royalties	5,678	4,492
Alberta Cities Transportation Program	5,297	2,789
Arts and Heritage Grant		3,296
Other Payables	1,780	1,668
TOTAL	**$ 29,166**	**$ 28,558**

NOTE 15: SHORT-TERM DEBT

A Municipal Revolving Line of Credit (Variable Rate or Guaranteed Note) is available to the City up to a maximum of $65,000. The Guaranteed Notes are secured by Bylaw 3394.

A Variable Rate Line of Credit under this Municipal Revolving Line of Credit is available at a rate of Prime less 0.25%. This Variable Rate Line of Credit is secured by Bylaw 3394 and a Demand Promissory Note.

NOTE 16: LONG-TERM DEBT

(A)

	2004	2003
Tax Supported	$ 27,388	$ 25,205
Utilities		
- Electric	65,269	67,329
- Gas	18,930	22,157
- Water	24,254	20,622
- Sewer	20,663	19,245
- Solid Waste	1,699	1,691
Total Utilities	130,815	131,044
TOTAL	**$ 158,203**	**$ 156,249**

	2004	2003
Comprised of:		
- Alberta Capital Finance Authority	$ 157,927	$ 155,947
- Other Long-Term Debt	276	302
TOTAL	$ 158,203	$ 156,249

(B) DEBT PER CAPITA
(not in thousands of Dollars)

	2004	2003
Tax Supported Debentures	$ 534	$ 492
Utilities	2,553	2,557
TOTAL	$ 3,087	$ 3,049

(C) Expected future interest and principal payments are as follows:

	Principal	Interest
2005	12,425	10,577
2006	12,178	9,694
2007	12,366	8,863
2008	12,905	8,031
2009	13,040	7,156
2010-2026	95,289	36,608
TOTAL	$ 158,203	$ 80,929

The debentures mature in annual amounts to the year 2026 and interest is payable at rates ranging from 3.55% to 12.0% per annum before Provincial Subsidy, and mature in periods 2005 through 2026. The average annual interest rate is 6.68% for 2004 (7.34% for 2003). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5% depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Medicine Hat.

Interest on long-term debt paid in 2004 was $10,776 (2003 $10,295).

(D) The Minister of Municipal Affairs has prescribed total debt and debt servicing limits for municipalities in the province. The debt limit is calculated based upon 2 times revenue, and the debt servicing limit is based upon 0.35 times revenue. Included in the Actual Debt are loans outstanding as well as Loan Guarantees.

	2004	2003
Total Debt Limit	$ 581,843	$ 537,272
Actual Debt (Long- and Short-Term Debt)	159,054	157,099
AMOUNT UNDER LIMIT	**$ 422,789**	**$ 380,173**
Debt Servicing Limit	$ 101,822	$ 94,023
Actual Debt Servicing (Long and Short Term Debt)	23,002	22,603
AMOUNT UNDER LIMIT	**$ 78,820**	**$ 71,420**

NOTE 17: OTHER LONG-TERM DEBT

The City of Medicine Hat owes Palliser Health Authority $276 (2003-$302) for the construction of ambulance facilities at the Medicine Hat Regional Hospital. The debt matures in 2011 and interest is payable at 10.625%. Annual payments are $58. This debt is unsecured.

NOTE 18: OTHER LONG-TERM LIABILITIES

(A)

	2004	2003
Offsite Contributions	$ 4,089	$ 3,320
Asset Retirement Obligation - Gas	32,581	23,496
Employee Retirement Benefits Liability	2,534	2,321
Sanitary Landfill - Site Abandonment & Restoration	81	467
TOTAL OTHER LONG-TERM LIABILITIES	**$ 39,285**	**$ 29,604**

(B) The accrued liability for closure and post closure costs of the City's Landfill is recognized over the life of the cells, using the net present value of the total estimated costs of closure and post closure care, prorated on the basis of the current air space utilized (in cubic metres), over the total estimated air space of the site. The net present value of the estimated closure and post closure costs was calculated using a rate of return equal to 5.309% assuming inflation of 1.6%.

(C) The following summarizes the total net present value for the estimated costs of Sanitary Landfill closure and post closure care:

	2004	2003
Estimated Closure Costs	$ 950	$ 726
Estimated Post-Closure Costs	155	137
Estimated Total Costs	1,105	863
Estimated Capacity remaining %	62%	63%
Portion of Total Liability remaining to be recognized	$1,024	$396
Estimated Capacity used %	38%	37%
ACCRUED LIABILITY PORTION	**$ 81**	**$ 467**

2,787,000 cubic metres of air space remaining. With an estimated annual utilization of 65,000 cubic metres, increasing at approximately 3% per year, the landfill has approximately 27 years of life remaining. It is estimated that post closure care should be required for a period of 25 years. The City has not designated assets for settling closure or post closure liabilities.

NOTE 19: OPERATING FUND

The Operating Fund balance as shown on the Consolidated Statement of Financial Position represents accumulated surpluses (deficits) from operations, which have not been designated by City Council for any specific use.

The General Fund policy directs that, special one-time grants and any surplus in the General Operating Fund not required in order to maintain the operating fund target balance of 7% of prior years budgeted gross expenditures be transferred to the Infrastructure Reserve. Included in the 2004 transfer to the Infrastructure Reserve of $6,977 is $1,747 in surplus funds, which were in excess of the target balance requirement.

The Electric Operating Fund policy directs that surplus in excess of 7% of prior years budgeted gross expenditures will be transferred to the Electric Facility and Equipment Reserve at the end of the current year. In 2004, the Electric Utility did not have enough surplus to meet its target balance.

With respect to the Gas Utility, policy directs that surplus in excess of 7% of prior years budgeted gross expenditures be transferred to the Gas Depletion Reserve at the end of the current year. In 2004 the Gas Utility reported an excess surplus of $66,625, which was transferred to the Gas Depletion Reserve.

OPERATING FUND BALANCES	2004	2003
General Government	$ 5,601	$ 5,497
Gas	6,433	6,587
Electric	2,833	5,048
Water	(1,354)	(859)
Sewer	(1,760)	(957)
Solid Waste	1,227	1,445
Land	14,471	8,884
TOTAL	**$ 27,451**	**$ 25,645**

NOTE 20: CAPITAL FUND

CAPITAL FUND BALANCES	2004	2003
General Government	$ 3,298	$ 4,204
Gas	21,959	3,041
Electric	2,146	1,665
Water	112	686
Sewer	(2,586)	(1,023)
Solid Waste	(552)	(331)
TOTAL	**$ 24,377**	**$ 8,242**

NOTES FOR THE YEAR ENDED DECEMBER 31, 2004

(In Thousands of Dollars)

NOTE 21: RESERVES

	Jan 01/2004	Additions	Reductions	Dec 31/ 2004
Employee Development	$ 302	$ 388	$ 281	$ 409
Victim Assistance	11	1		12
Second Street Properties	181		97	84
Fleet Replacement	3,087	3,081	2,224	3,944
Infrastucture	4,496	6,979	5,085	6,390
Esplanade	21,605	200	10,633	11,172
Electric Facility & Equipment	14,210			14,210
Gas Depletion Reserve	71,943	66,445	41,650	96,738
SUB TOTAL	115,835	77,094	59,970	132,959
Equity (Deficit) in Subsidiary	(9,984)	180		(9,804)
Library Reserves	119	5		124
Internal Loan Contra Reserve	(28,301)	(510)	(5,347)	(23,464)
TOTAL RESERVES	$ 77,669	$ 76,769	$ 54,623	$ 99,815

NOTE 22: TRUST FUNDS

The City of Medicine Hat records as Funds Held in Trust all monies received on behalf of third parties. These monies are controlled, invested and accounted for in accordance with the terms of the trust arrangements. Trust investments are in temporary investments in money market instruments such as term deposits, treasury bills, and commercial paper. Investments are recorded at the lower of original cost or market value. The cost of these investments at December 31, 2004 is $2,088 (2003 - $2,541). Trust investments and liabilities are not included in the City's statements.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2004

(In Thousands of Dollars)

A summary of Trust fund activities by the City of Medicine Hat are as follows:

	Balance Jan 1/2004	Additions	Interest Earnings	Reductions	Balance Dec 31/2004
Cemetery - Perpetual Care	$ 1,432	$ 100	$ 46	$ 225	$ 1,353
Seniors Foundation	17	16		14	19
Police Department Exhibit Recovery	13	1			14
Museum Building Exhibition	125		2	100	27
Art Gallery Acquisition	15			3	12
Donna MacLean Museum Trusts		14		1	13
Museum Special Projects	54		2	15	41
Pitch Trust	1	1			2
Tax Forfeitures	42			42	
Medicine Hat Senior Sport & Culture	178	12	5	56	139
2002 South Alberta Winter Games	28			28	
Roblyn Enterprises - Ross Creek	2			2	
Bell West	182	7	4		193
Esplanade Donations	232			232	
Saamis Heights Town Ctr Park	172		4		176
2008 Alberta Summer Games		50			50
Northlands Waterline Warranty	48		1		49
TOTAL TRUST FUNDS	$ 2,541	$ 201	$ 64	$ 718	$ 2,088

NOTE 23: SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative office and designated officers as required by provincial regulation 313/2000 is as follows *(see over page)*:

	Salary	Benefits & Allowances	Total 2004	Total 2003
Mayor Vallely	$ 50	$ 28	$ 78	$ 77
Councilors:				
Craven, W.	16	13	29	31
Cocks, W.	18	13	31	31
Friesen, J.	18	16	34	31
Dumanowski, R.	17	14	31	29
Hamill, J.	18	14	32	30
Roset, D.	16	15	31	33
Smith, C.	18	14	32	30
Speers, H.	18	16	34	31
Hirsch, D.	2	2	4	
Kelly, G.	2	1	3	
Chief Administrative Officer	162	17	179	179
Designated Officers(6)	703	76	779	695

(1) Salary includes regular base pay.

(2) Benefits and Allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, Employment Insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, expense allowances, car allowances, per diem payments, gross honoraria, travel allowances and professional memberships and tuitions.

NOTE 24: LOCAL AUTHORITIES PENSION PLAN

Employees of the City of Medicine Hat, with the exception of Police Officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. LAPP serves about 133,000 people and 389 employers. The Police Officers are members of the Special Forces Pension Plan (SFPP). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

The City of Medicine Hat is required to make current service contributions to the Local Authorities Pension Plan of 5.025% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 6.9% for the excess. With regard to the Special Forces Pension Plan, the City of Medicine Hat is required to make current service contributions of 9.8%.

Total current service contributions by the City of Medicine Hat to LAPP and SFPP in 2004 were $3,014 (2003 – $2,948). Total current service contributions by the employees for 2004 were $3,208 (2003 – $2,285).

At December 31, 2003 LAPP disclosed an actuarial deficit of $1,410,987 (2002 – $444,980).
At December 31, 2002 SFPP disclosed an actuarial deficit of $240,283 (2001 – $204,414).

NOTE 25: EMPLOYEE BENEFIT OBLIGATIONS

The City has a defined benefit life insurance plan covering substantially all of its employees. The plan is unfunded. The most recent actuarial accounting valuation for the plan was performed for the year-ended December 31, 2004. Information about the plan is as follows:

	2004	2003
Accrued Benefit Obligation		
Balance, Beginning of Year	$ 2,321	$ 2,315
Current Service Cost	66	66
Interest Cost	138	132
Benefits Paid	(119)	(118)
Unrecognized Actuarial (Gains) Losses	128	(74)
Balance, End of Year, Being Plan Deficit	$ 2,534	$ 2,321

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligation are as follows:

	2004	2003
Discount Rate	5.75%	5.75%
Rate of Compensation Increases	3%	3%
Expected Average Remaining Service Life	9.0 Years	9.0 years

NOTE 26: OPERATING COMMITMENTS

The City of Medicine Hat is committed to purchase natural gas and electrical energy under existing purchase contracts. The commitment for 2005 is $868 (Gas) and $7,054 (Electric).

NOTE 27: CAPITAL COMMITMENTS

(A) 2004 CAPITAL BUDGET

Following guidelines set out by the Public Sector Accounting Board, the budget reported on the Consolidated Statement of Financial Activities and Consolidated Capital Fund is the 2004 approved Capital Budget. The actual expenditures reported include incomplete capital projects in the amount of $52,457 carried forward from previous budget years, as well as costs related to the 2004 Budget.

(B) INCOMPLETE CAPITAL PROJECTS

As at December 31, 2004, a number of capital projects were in progress and will be completed in 2005 or subsequent years. The unexpended appropriation related to these projects is $83,040. Projects included in this total are; Subdivision Development - $11,058, 10th Ave. SW Upgrade - $3,500, the Esplanade - $18,950, Gas Drilling Program - $12,284, Gas Gathering Program - $6,005, Electric Administration Building - $ 4,500, Water Plant Expansion - $8,900, Water Reservoir - $3,900 and SW Sector Sewerage Lift Station - $5,017, Other - $8,926.

(C) 2004 CAPITAL IMPROVEMENT PLAN

In December 2003, City Council approved the 2004-2008 Utilities Capital Improvement Plan. Subsequent to December 31, 2003, City Council approved the 2004 - 2006 General Government Capital Improvement Plan. The total for all Projects is as follows:

2004	$ 86,749
2005	71,158
2006 Projections	96,440
TOTAL	$ 254,347

Financing sources identified for 2005 projects are:

Government Grants	$ 2,498
Current Revenues	24,027
Debentures	
Tax Supported	3,684
Utilities	2,610
Reserves	34,821
Direct Charges & Other	3,518
TOTAL	$ 71,158

NOTE 28: CONTINGENT LIABILITIES

The City has been named defendant in various lawsuits. In the opinion of management, these matters are without merit and as such no provision has been made for these matters in the accounts.

NOTE 29: SUBSEQUENT EVENTS

Subsequent to December 31, the Province of Alberta announced a pilot project, which will see responsibility for ground ambulance services transferred from the City of Medicine Hat to the Palliser Regional Health Authority.

NOTE 30: FINANCIAL INSTRUMENTS

The City as part of its operations carries a number of financial instruments. It is management's opinion the City is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

NOTE 31: COMPARATIVE FIGURES

Comparative figures have been restated, where necessary, to conform to the current year presentation.

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2000 - 2004

(In Thousands of Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	2004	2003	2002	2001	2000
REVENUES BY SOURCE					
Taxes	$ 27,100	$ 23,740	$ 21,605	$ 19,364	$ 19,257
Sale of Services					
General Government	5,632	5,220	5,177	4,674	4,194
Gas	129,817	129,178	96,188	112,707	93,036
Electric	58,399	53,687	47,778	74,475	101,268
Water	7,540	7,493	6,568	7,187	6,906
Sewer	6,296	5,642	5,561	5,261	5,243
Solid Waste	4,543	5,490	4,576	3,903	3,248
Land & Subdivision Dev	21,948	16,203	15,050	11,183	5,748
Public Library	130	109	86	87	94
Investment Income	5,496	4,655	5,338	5,292	3,690
Income from Subidiary	180	(1,886)	(8,365)	256	
Licences, Fines & Penalties	4,936	3,712	3,570	3,186	2,742
Insurance Recovery	107	118	100	102	1,050
Developers Levies	1,932	1,548	1,991	1,381	2,000
Proceeeds from Sale of Assets	1,862	4,851	17	33,715	
Other	10,998	5,828	6,637	4,424	7,772
Government Grants	13,392	8,611	16,012	6,379	5,195
TOTAL REVENUES	300,308	274,199	227,889	293,576	261,443
EXPENDITURES BY FUNCTION					
General Government	106,469	84,032	82,010	62,082	59,107
Gas	92,489	97,032	148,569	105,174	89,207
Electric	30,472	51,746	43,220	46,304	25,996
Water	6,880	5,657	4,702	6,379	5,875
Sewer	14,849	8,338	9,547	7,739	5,491
Solid Waste	4,067	3,393	3,065	2,833	3,989
Land	5,229	4,229	8,555	2,759	1,397
Medicine Hat Public Library	1,721	1,627	1,620	1,417	1,363
TOTAL EXPENDITURES	262,176	256,054	301,288	234,687	192,425
NET REVENUES(EXPENDITURES) AND INCREASE (DECREASE) IN NET FINANCIAL ASSETS	38,132	18,145	(73,399)	58,889	69,018
Debt Issued	13,782	22,488	18,922	7,831	3,912
Debt Repayment	(11,827)	(10,732)	(10,708)	(37,014)	(15,346)
Contributed Surplus			1,381		
	1,955	11,756	9,595	(29,183)	(11,434)
CHANGE IN FUND BALANCE	40,087	29,901	(63,804)	29,706	57,584

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2000- 2004

(In Thousands of Dollars)

CONSOLIDATED EXPENDITURE BY OBJECT

	2004	2003	2002	2001	2000
Salaries, Wages & Benefits	$ 66,057	$ 60,422	$ 56,687	$ 52,711	$ 49,418
Contracted & General Services	28,229	27,484	19,387	17,083	14,646
Materials, Goods & Utilities	33,665	32,462	27,615	39,176	37,001
Provisions for Allowances	232	195	404	282	250
Bank Charges & Short-Term Interest	44	75	927	106	80
Interest on Long-Term Debt	10,386	10,110	9,856	10,862	12,898
Physical Assets Acquired	95,695	96,512	16[F],143	94,503	59,609
Other Operating Expenditures	24,538	25,480	18,804	17,971	16,985
Grants and Other Transfers	603	221	386	331	298
Other Capital Expenditures	2,727	3,093	2,079	1,662	1,240
TOTAL EXPENDITURES	**$ 262,176**	**$ 256,054**	**$ 301,288**	**$ 234,687**	**$ 192,425**

CONSOLIDATED SCHEDULE OF CAPITAL FINANCING & EXPENDITURES

	2004	2003	2002	2001	2000
REVENUES					
Government Transfers	$ 9,384	$ 5,506	$ 12,598	$ 2,786	$ 1,931
Developers Levies	1,932	981	1,994	1,381	2,000
Proceeds from Sale of Assets	1,862	4,851	17	33,715	
Other	5,122	1,334	1,797	1,023	846
Reserves	52,733	37,259	123,628	51,379	17,128
Operations	29,762	21,737	16,480	(560)	36,227
Debt	13,782	22,488	18,922	7,831	3,912
TOTAL FINANCING	114,577	94,156	175,436	97,555	62,044
EXPENDITURES					
Engineering Structures	65,794	81,802	153,209	86,234	43,625
Buildings	24,691	9,376	4,867	2,587	3,151
Machinery & Equipment	1,874	2,123	2,188	1,797	8,498
Land	146	311	581	1,427	135
Mobile Equipment	3,189	2,899	4,300	2,344	3,647
Non - Asset Increasing	2,728	3,094	2,076	1,776	1,784
TOTAL EXPENDITURES	98,422	99,605	167,221	96,165	60,840
SURPLUS	**$ 16,155**	**$ (5,449)**	**$ 8,215**	**$ 1,390**	**$ 1,204**

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2000- 2004

(In Thousands of Dollars)

LONG-TERM DEBT

LONG-TERM DEBT	2004	2003	2002	2001	2000
Debt Supported by Taxes	$ 27,388	$ 25,205	$ 21,591	$ 20,736	$ 20,869
Debt Supported by Utilities	130,815	131,044	122,575	115,213	144,234
TOTAL DEBT	**$ 158,203**	**$ 156,249**	**$ 144,166**	**$ 135,949**	**$ 165,103**

DEBT PER CAPITA (not in thousands of dollars)	2004	2003	2002	2001	2000
Tax Supported	$ 534	$ 492	$ 421	$ 405	$ 416
Utility Supported	2,553	2,557	2,392	2,248	2,875
TOTAL DEBT PER CAPITA	**$ 3,087**	**$ 3,049**	**$ 2,813**	**$ 2,653**	**$ 3,291**

LONG-TERM DEBT CHARGES AS A % OF TOTAL EXPENDITURES	2004	2003	2002	2001	2000
Debt Charges	$ 23,002	$ 22,603	$ 20,560	$ 47,876	$ 28,244
Total Operating Expenditures	163,734	156,449	134,067	138,522	131,586
PERCENTAGE	**14.05%**	**14.45%**	**15.34%**	**34.56%**	**21.46%**

LEGAL DEBT LIMIT	2004	2003	2002	2001	2000
Total Debt Limit	$ 546,319	$ 537,272	$ 432,524	$ 581,282	$ 522,700
Actual Debt	159,054	157,099	154,872	155,717	165,103
AMOUNT UNDER LIMIT	**$ 387,265**	**$ 380,173**	**$ 277,652**	**$ 425,565**	**$ 357,597**
Percentage Used	29.11%	29.24%	35.81%	26.79%	31.59%

DEBT SERVICING LIMIT	2004	2003	2002	2001	2000
Debt Servicing Limit	$ 95,606	$ 94,023	$ 75,692	$ 101,724	$ 91,473
Actual Debt Servicing	23,002	22,603	30,968	39,961	28,221
AMOUNT UNDER LIMIT	**$ 72,604**	**$ 71,420**	**$ 44,724**	**$ 61,763**	**$ 63,252**
Percentage Used	24.06%	24.04%	40.91%	39.28%	30.85%

* During 2001, $20,444 in long term debt was retired before maturity date.

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2000- 2004

(In Thousands of Dollars)

SUMMARY OF OPERATING AND RESERVE FUND BALANCES

OPERATING FUNDS	2004	2003	2002	2001	2000
General	$ 5,601	$ 5,497	$ 5,145	$ 4,631	$ 4,541
Gas	6,433	6,587	4,804	4,384	3,718
Electric	2,833	5,048	4,751	3,789	3,109
Water	(1,354)	(859)	(433)	329	(443)
Sewer	(1,760)	(957)	(91)	263	1,108
Solid Waste	1,227	1,445	649	497	231
Land & Subdivision Development	14,471	8,884	19,337	10,920	6,061
TOTAL OPERATING FUNDS	27,451	25,645	34,162	24,812	18,325
RESERVE FUNDS					
Arts & Heritage Centre	11,172	21,605	15,000	49	49
Employee Training	409	302	248	191	398
Victim Assistance	12	11	11	5	13
Infrastructure	6,390	4,497	3,278	2,761	4,185
Second Street Properties	84	181	267	267	335
Fleet Replacement	3,944	3,087	2,891	2,717	769
Gas Depletion	96,738	71,943	38,889	117,446	64,489
Electric Debt Retirement					20,444
Electric Facilities and Equipment	14,210	14,210	10,974	3,070	
Equity in Subsidiary Company	(9,804)	(9,984)	(6,849)		
Library	124	119	91	111	95
SUB-TOTAL RESERVES	123,279	105,971	64,800	126,617	90,777
Internal Loans Contra	(23,464)	(28,301)	(30,998)	(21,059)	(6,599)
TOTAL RESERVES	99,815	77,670	33,802	105,558	84,178
TOTAL RESERVES & SURPLUS	**$ 127,266**	**$ 103,315**	**$ 67,964**	**$ 130,370**	**$ 102,503**

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2000 - 2004

TAXATION & ASSESSMENT

MILL RATES

	2004	2003	2002	2001	2000
MUNICIPAL					
Single Family	5.102	4.908	5.164	5.508	5.508
Apartments	6.286	5.734	6.070	7.713	7.713
Farmland	11.834	10.209	10.133	9.779	9.779
Commercial & Industrial	13.625	12.765	11.932	11.881	11.881
EDUCATION					
Single Family	4.343	4.354	4.674	5.251	6.400
Apartments	4.343	4.354	4.674	5.251	6.400
Farmland	4.343	4.354	4.674	5.251	6.400
Commercial & Industrial	7.383	7.669	7.580	7.643	9.116
OTHER					
Single Family	0.060	0.066	0.066	0.067	0.065
Apartments	0.060	0.066	0.066	0.067	0.065
Farmland	0.060	0.066	0.066	0.067	0.065
Commercial & Industrial	0.060	0.066	0.066	0.067	0.065

PROPERTY TAXES LEVIED

(In Thousands of Dollars)

PROPERTY TAX LEVY	2004	2003	2002	2001	2000
Municipal	$ 27,100	$ 23,740	$ 21,423	$ 19,364	$ 19,257
Education	18,159	16,981	16,315	15,727	18,570
Other	234	226	206	183	172
TOTAL REAL PROPERTY	45,493	40,947	37,944	35,274	37,999
Business Taxes (BRZ)	100	89	96	96	89
TOTAL TAXES LEVIED	**$ 45,593**	**$ 41,036**	**$ 38,040**	**$ 35,370**	**$ 38,088**
Current Taxes Collected	$ 44,952	$ 40,524	$ 37,526	$ 34,952	$ 37,603
%of Current Taxes Collected	98.59%	98.75%	98.65%	98.82%	98.73%

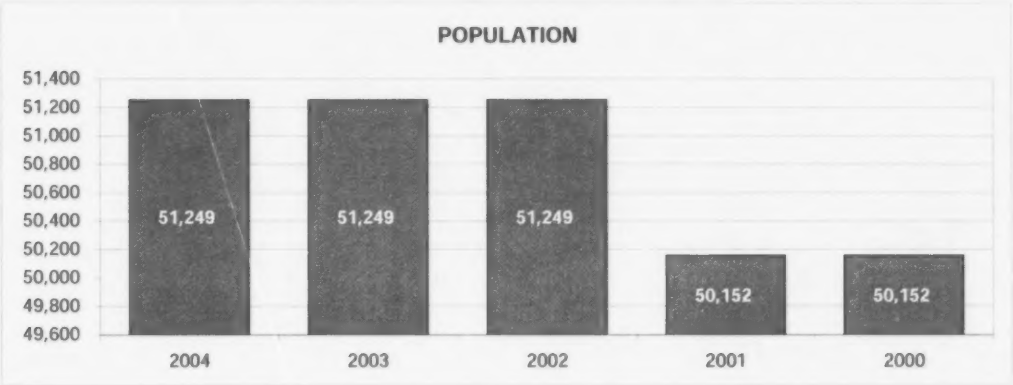
OTHER MAJOR TAXES LEVIES	2004	2003	2002	2001	2000
Linear Property Taxes	$ 2,825	$ 2,252	$ 2,668	$ 2,494	$ 3,328
Government Grants in Lieu of Property Taxes	1,230	1,258	1,184	1,111	1,203
TOTAL MAJOR TAX LEVIES	**$ 4,055**	**$ 3,510**	**$ 3,852**	**$ 3,605**	**$ 4,531**

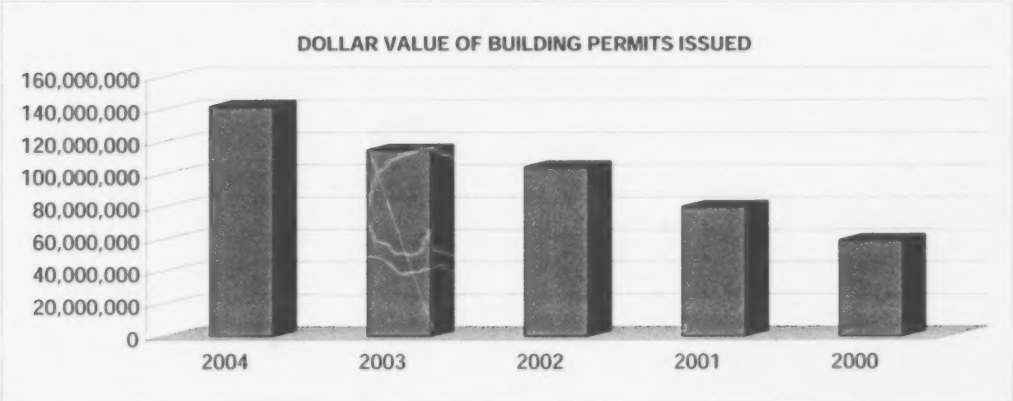
ASSESSED VALUE FOR GENERAL MUNICIPAL PURPOSES

	2004	2003	2002	2001	2000
Residential	$ 2,891,991,033	$ 2,682,303,890	$ 2,303,154,818	$ 1,992,021,650	$ 1,888,145,000
Multi-Family	151,539,751	150,436,471	128,151,634	94,251,120	93,464,920
Farmland	5,003,531	5,217,012	4,980,057	4,822,280	5,313,060
Commercial & Industrial	780,943,647	723,237,891	698,890,212	639,557,630	650,206,380
TOTAL TAXABLE ASSESSMENT	**$ 3,829,477,962**	**$ 3,561,195,264**	**$ 3,135,176,721**	**$ 2,730,652,680**	**$ 2,637,129,360**

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2000- 2004

DEMOGRAPHICS & OTHER INFORMATION



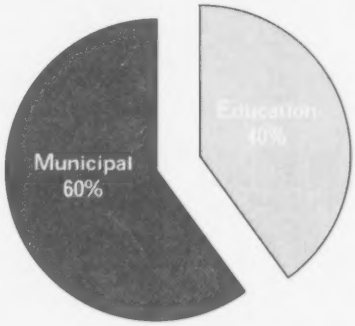


OTHER

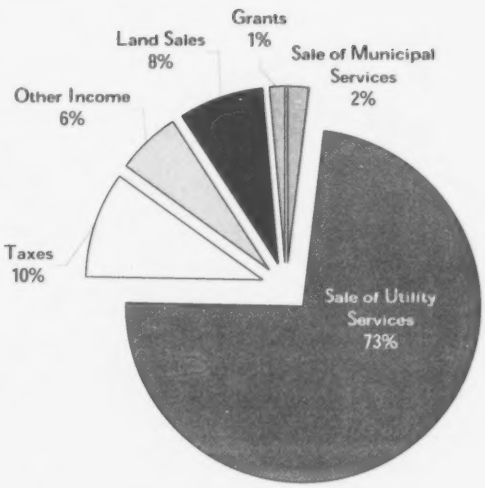
	2004	2003	2002	2001	2000
Area, Square Kilometres	12,027	12,027	12,027	12,027	12,027
Km of Wastewater Mains	371	361	349	356	352
Km of Water Mains	395	389	381	376	372
KM of Storm Drainage Mains	201	194	190	171	169

Financial Synopsis 2004

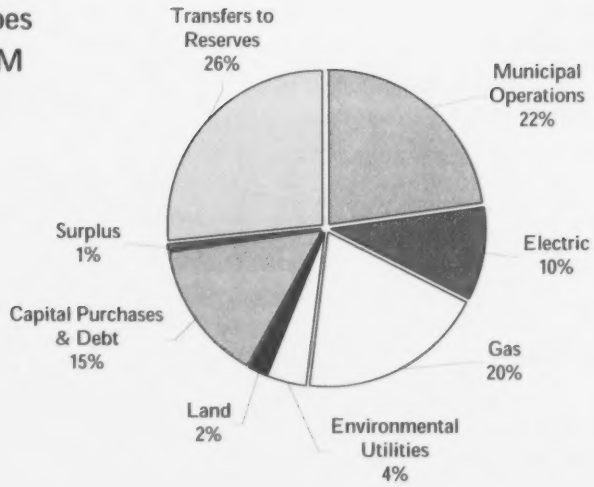
Where our tax dollars went in 2004 Education/ Municipal Property Tax



Where the Money Comes From $282,008M



Where the Money Goes $282,008M



Financial Comparison 2004, 2003, 2002, 2001

Consolidated Balance Sheet
(in Thousands of Dollars)

Assets	2004	2003	2002	2001
Cash & Investments	141,876	101,130	62,886	81,871
Investment In Subsidiary				47,360
Advances to Subsidiary	20,448	21,270	31,009	11,515
Accounts Receivable	33,169	26,636	31,755	21,536
Inventory & Supplies	9,275	8,739	8,889	8,296
Inventories for Resale	20,022	17,800	18,545	18,433
Other Assets	2,308	1,291	1,164	1,137
Prepaid Expenses	934	615	771	6,688
Capital Assets	888,574	835,498	782,160	655,623
	1,116,606	1,012,979	937,179	852,459

Liabilities	2004	2003	2002	2001
Payables	17,949	11,546	16,773	10,008
Accrued Liabilities	29,166	28,558	25,296	15,508
Short-Term Debt			9,984	19,809
Long-Term Debt	158,203	156,249	144,492	136,295
Other Long-Term Liabilites	39,285	29,604	19,093	15,910
	244,603	225,957	215,638	197,530
Loss In Subsidiary	9,798	9,978	8,092	
Equity				
Equity In Capital Assets	710,563	665,488	631,793	524,559
Surplus & Reserves	151,642	111,556	81,656	130,370
	862,205	777,044	713,449	654,929
	1,116,606	1,012,979	937,179	852,459

Operating Revenue and Expenditures
(in Thousands of dollars)

Revenue From:	2004	2003	2002	2001
Taxes	45,594	40,947	37,947	35,370
Less - Requisitions	(18,494)	(17,207)	(16,342)	(16,006)
	27,100	23,740	21,605	19,364
Sale of Services				
General Government	5,632	5,220	5,177	4,674
Electric	58,399	53,687	47,778	74,475
Gas	129,817	129,178	96,188	112,707
Environmental Utilities	18,379	18,625	16,705	16,351
Land	22,081	16,203	15,050	11,183
MH Public Library	130	109	86	87
Other Income				
Investment Income	5,498	4,654	5,338	5,292
Investment(Loss) in Subsidiary	180	(1,971)	(8,485)	256
Licenses, Fines & Penalties	4,804	3,713	3,570	3,186
Other	5,981	4,834	4,939	3,503
Senior Government Transfers	4,007	3,669	3,411	3,593
Surplus		11,604		
	282,008	273,265	211,362	254,671

Spent On:	2004	2003	2002	2001
General Government	62,737	57,474	54,182	50,058
Electric	27,051	29,457	22,807	24,734
Gas	55,135	52,338	39,566	49,501
Environmental Utilities	12,126	11,265	10,056	10,270
Land	5,195	6,657	3,926	2,758
MH Public Library	1,490	1,392	1,305	1,201
Capital Purchase & Debt	41,589	27,764	27,208	36,454
Transfer To Reserves	74,879	86,918	44,106	73,208
Surplus	1,806		8,206	6,487
	282,008	273,265	211,362	254,671

For additional copies of the 2004 Annual Report
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Thank you to all the employees and residents who had their photographs taken for this document.

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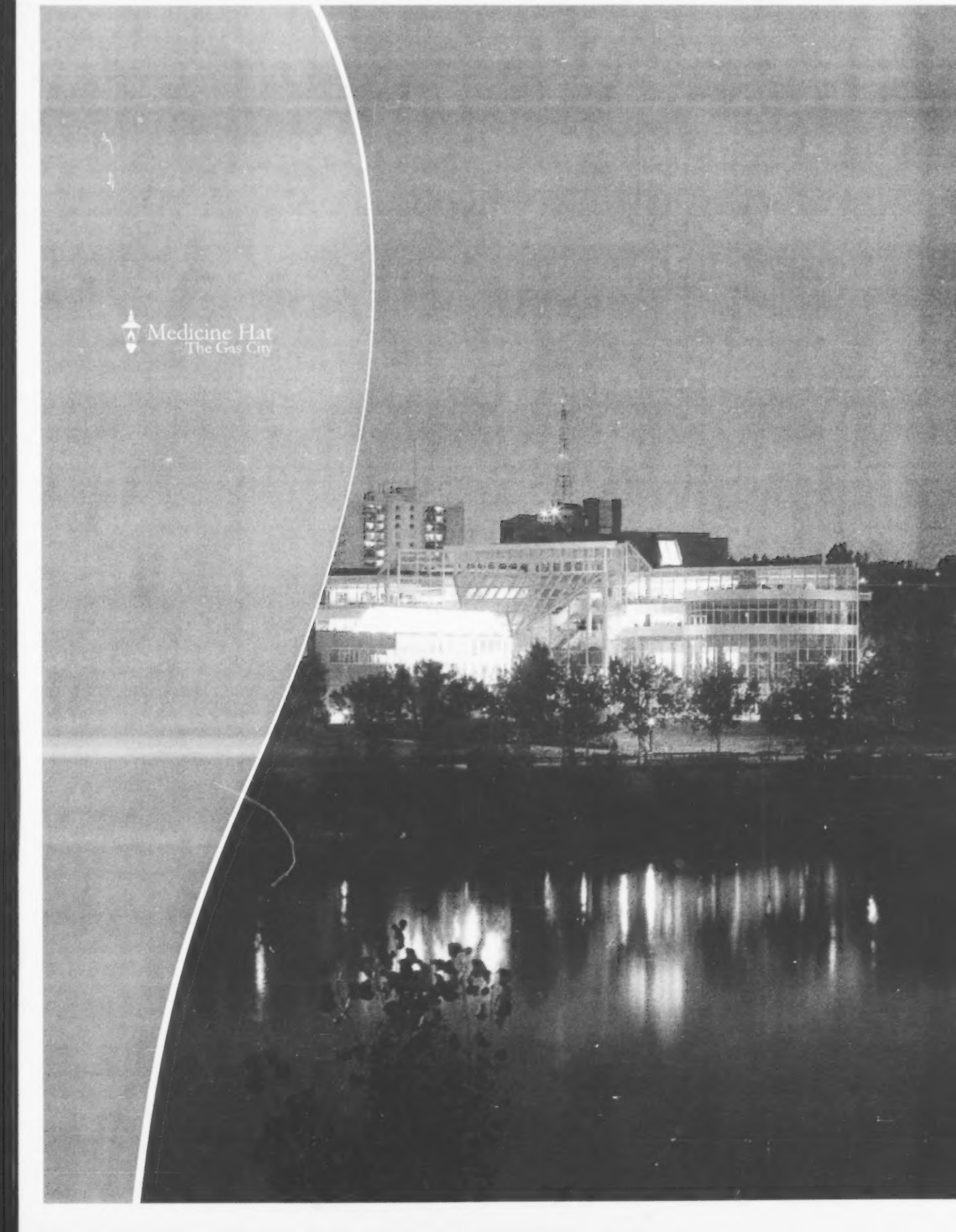
Medicine Hat
The Gas City